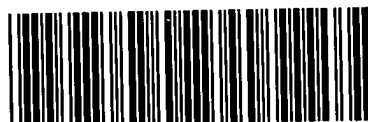


Toyota Motor Manufacturing (UK) Limited

Annual report and financial statements for the year ended 31 March 2023

Registered number: 02352348

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Toyota Motor Manufacturing (UK) Limited

Annual report and financial statements for the year ended 31 March 2023

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Toyota Motor Manufacturing (UK) Limited

Strategic report for the year ended 31 March 2023

The directors present the Strategic report of the company for the financial year ended 31 March 2023. The company's principal risks and uncertainties, financial risk management and environmental matters are outlined in the Directors' report.

Principal activities of the company

The principal activities of the company are the manufacture of motor vehicles, engines and engine components. The company assembles the Corolla conventional and hybrid vehicle models at Burnaston, East Midlands, and engines for the use in the vehicle assembly plant and for export at its engine plant in Deeside, North Wales.

Results

The loss for the financial year amounted to €100,274,000 (2022: profit of €14,710,000). Turnover for the year amounted to €2,224,054,000 (2022: €2,488,734,000). An actuarial loss of €201,986,000 (2022: gain of €118,420,000) was made on the pension scheme in the financial year. The carrying value of tangible assets was €258,874,000 at 31 March 2023 (31 March 2022: €239,615,000) and net liabilities (including the pension scheme deficit) were €978,562,000 at 31 March 2023 (31 March 2022: €676,302,000). Details of the items above are included in the notes to the financial statements.

Key performance indicators (KPIs)

Volumes for the current year and prior year are set out in the table below:

Model	2023	2022
Corolla	1,790	4,924
Corolla hybrid	97,465	115,530
Burnaston total	99,255	120,454
Deeside engines	240,023	265,439

Toyota Motor Manufacturing (UK) Limited

Strategic report for the year ended 31 March 2023 (continued)

Review of the business

Vehicle and engine sales volume in the year were lower than the previous year and an operating loss was made. The volume decrease reflects the European market having been affected by parts shortages (semi-conductors), price increases and the move towards new technologies. The conventional petrol engine ceased production in December 2022.

There continued to be a strong focus on cost reduction, to which members throughout the business contributed. The result was in line with the directors' expectations given the current operating conditions. An actuarial loss was recognised on the pension scheme, see note 17 for further details.

Member focus

The Toyota group worldwide refers to employees as members.

The company seeks to recruit, train and retain members who can then enjoy a long and fulfilling career with the company. A key part of this strategy is the provision of comprehensive health, wellbeing, medical support and care initiatives. A strong focus on member safety as the foundation for efficient, high quality manufacturing remains the key to the company's continued success.

Training of young people to take up responsible and skilled positions in manufacturing operations is a key commitment. The Apprentice Training Centre at Burnaston, run in partnership with Burton and South Derbyshire College, trains young people from local companies alongside the company's apprentices.

There are now 18 external companies engaged in the maintenance apprenticeship scheme and more than 200 apprentices taking part. Approximately 350 apprentices have started since the launch of the Apprentice Development Centre (ADC). The company provides advanced four-year apprenticeships and has introduced a pathway to allow further development opportunities. In 2022, 36 young people started the production apprenticeship scheme. Approximately 160 apprentices have started since the launch of the Manufacturing Development Centre. A small number of members are undertaking Degree Apprenticeships and Level 3 - Level 6 continuous improvement apprenticeships are offered. Our Apprenticeships support the growth and capability of both automotive and non-automotive partners.

All members are graded within an occupational classification which determines the salary, irrespective of gender. 91.4% (2022: 92.3%) of members are male and 8.2% (2022: 7.7%) of members are female; ethnic minorities represent 8.8% (2022: 8.3%). The company absenteeism rate was 3.63% (2022: 5.1%).

The company supports member development through a range of activities including on and off the job training. The average number of training days per member was 8.2 days (2022: 6 days).

The company promotes awareness and encourages the involvement of all members in relation to the financial and economic factors that affect the performance of the company and encourages member involvement in the company's performance through the collective bonus scheme.

Toyota Motor Manufacturing (UK) Limited

Strategic report for the year ended 31 March 2023 (continued)

Charitable focus and social matters

The company seeks to support good causes in the areas local to its manufacturing locations and has a Charitable Trust (the Trust) that supports groups and organisations that are active in the areas of road safety, social inclusion and deprivation and health. The company and its members raised €500,436 (2022: €247,000) that the Trust distributed to representatives of its nominated charities at events at Burnaston and Deeside. More detail on donations made during the year can be found on page 13 of the Directors' report. Since the start of production in 1992, Toyota and the Trust have contributed altogether over €9,280,800 (2022: €8,100,000) towards local communities surrounding its plants.

The company made in-kind donations, including member time towards administration of charitable programmes, room rental, donation of cars and parts and volunteering hour's equivalent to €338,445 (2022: €100,000).

The company's nominated charity was Children with Cancer UK. This charity received €58,005 (2022: nil), which was used for funding research for the year. In addition, community grants were made to 38 (2022: 33) organisations across the three focus areas of road safety, social inclusion/deprivation and health - covering causes such as food banks, mental health and cancer charities.

All members are eligible to apply for match funding of up to €1,160 (2022: €1,175) towards charities and organisations of their choice, 13 (2022: 15) members received such funding, totalling €11,835 (2022: €12,330). Additionally, members with a recognised role in a charity outside of work are able to apply for grants of up to €5,800 (2022: €5,875), and this enabled support for a further 14 (2022: 22) organisations which together received €28,446 (2022: €52,123).

Corporate compliance

The company is committed to conducting business in an open and fair manner, with integrity and honesty, it is committed to complying with laws, regulations and working standards. The company has a wide ranging code of conduct, which sets out the behaviours required and expected of all employees, irrespective of their level, whilst enhancing business performance to provide employment and to maintain fair and stable working conditions for our members.

This Code of Conduct is applicable to all of the company's members, temporary employees, suppliers, contractors and consultants working onsite. It is briefed to all members on induction, and all members are reminded of the key principles through the supervisory chain twice yearly.

The topics covered by the Code of Conduct are on page 19 of the Directors' report.

Toyota Motor Manufacturing (UK) Limited

Strategic report for the year ended 31 March 2023 (continued)

Section 172 – Duty to promote the success of the company

Under the Companies Act 2006, the directors have a duty to promote the success of the company while having regard to employees, customers, suppliers and the environment.

The directors behave and carry out their activities to promote long-term success for the benefit of the company's shareholders, employees, clients and stakeholders. They focus on the company passing on a stronger, better and more sustainable business to those who follow while maintaining intergenerational fairness.

They engage with shareholders, employees, clients and stakeholders to reflect their insights and views when making decisions on strategy, delivering operational effectiveness, making plans, driving initiatives and committing to deliver outcomes that enhance social value.

The culture and values promoted by the directors creates a focus across the Group on observing and maintaining the highest standards of business conduct in promoting the long-term success of the company.

The narratives in the corporate governance report and directors' report highlight how the directors have observed these principles and engaged with shareholders, employees, clients and stakeholders in decision-making and in promoting the long-term success of the company.

The directors believe that they have acted in a way to promote the success of the company as set out in section 172(1)(a) to (f) when performing their duty under section 172.

Section 172 (a) - The likely consequences of any decision in the long term

The directors understand the business and the evolving environment in which the company operates. All decisions are taken with the aim of improving the success of the company in the long term.

The key decisions taken in the year relate to:

- Parts shortages and labour supply
- Diversity and Inclusion (D&I)
- The Business Revenue Centre (BRC)

Details of how these decisions were taken is on pages 7 to 8 of the Strategic report.

Section 172 (b) - Interests of company members

The directors recognise the importance of keeping members informed and information is provided to members on a regular basis. See member involvement, page 14 of the Directors' report.

Toyota Motor Manufacturing (UK) Limited

Strategic report for the year ended 31 March 2023 (continued)

Section 172 – Duty to promote the success of the company (continued)

Section 172 (c) - Business relationships

The board believes in developing mutually beneficial long-term relationships based on mutual trust with all suppliers. All the company's vehicle and engine customers are intra-group. To foster that trust, we pursue close and wide-ranging communication to share our knowledge to enhance our business relationship. The board requires our suppliers and contractors to operate in accordance with Toyota's Code of Conduct and be compliant with all applicable laws and regulations in the countries in which they operate. These are part of the company's operating principles and can be found on the company's website.

Section 172 (d) - Community and environment

In order to contribute to the sustainable development of society and the world through its business activities while cooperating with global society, Toyota has been conducting continuous environmental initiatives since the 1960s. Toyota's aim is to build a corporate group that is admired and trusted by society through ensuring that all employees, including those at consolidated subsidiaries, recognise sustainable policies. In the area of environment Toyota established the Toyota Earth Charter in 1992 (revised in 2020). Based on this, Toyota formulated long-term initiatives for the global environment by 2050, as the Toyota Environmental Challenge 2050, in 2015 when the Paris Agreement was adopted at COP21. Toyota is advancing various initiatives centred on this via the Toyota Earth Charter which focuses upon:

Basic Policy

- Contributing towards a prosperous 21st century society whilst aiming for growth that is in harmony with the environment and set as a challenge for the achievement of zero emissions throughout all areas of business activities.
- Pursuit of environment technologies by pursuing all possible environmental technologies, developing and establishing new technologies to enable the environment and economy to coexist harmoniously.
- Voluntary actions by developing an improvement plan based on thorough preventive measures and compliance with laws, which address environmental issues on the global, national and regional scales and undertake continuous implementation.
- Working in cooperation with society by building close and cooperative relationships with a wide spectrum of individuals and organisations.

Toyota Motor Manufacturing (UK) Limited

Strategic report for the year ended 31 March 2023 (continued)

Section 172 – Duty to promote the success of the company (continued)

Section 172 (d) - Community and environment (continued)

Action Guidelines

- Always be concerned about the environment via taking on the challenge of achieving zero emissions at all stages, i.e. production, utilisation and disposal.
 - (i) Develop and provide products with top-level environmental performance.
 - (ii) Pursue production activities that do not generate waste.
 - (iii) Implement thorough preventive measures.
 - (iv) Promote business that contribute toward environmental improvement.
- Cooperate with business partners to create a better environment.
- As a member of society to actively participate in social actions by participating in the creation of a recycling-based society, support government environmental policies, and contribute to non-profit activities.
- Toward better understanding by actively disclosing information and promoting environmental awareness.

The board recognises that the company's position in the community and its effect on the local environment is an important factor in decision making. The company has a department whose sole focus is on energy and the environment. Through implementation of new technology and monitoring of emissions, the company aims to be a leader in manufacturing environmental performance. See charitable focus and social matters, page 3 of the Strategic report, charitable donations, page 13 of the Directors' report and Toyota environmental management, page 29 of the Directors' report.

Section 172 (e) - Business conduct

The board's decisions consider the company's code of conduct, which can be found on the company website, details how the company maintains a reputation for high standards of business conduct. The areas covered can be seen on page 19 of the Directors' report.

Business conduct is considered within all decisions explained in pages 7 to 8 of the Strategic report.

Toyota Motor Manufacturing (UK) Limited

Strategic report for the year ended 31 March 2023 (continued)

Section 172 – Duty to promote the success of the company (continued)

Section 172 (f) - Need to act fairly between members of the company

All courses of action are taken with all stakeholders in mind. Decisions that directly affect the members of the company are discussed with the Toyota Members' Advisory Board (TMAB). See page 14 of the Directors' report.

Decision making

The following are four examples of how significant risks were identified and how the directors strategically managed and mitigated the impact to the business:

Example 1 – Parts Supply

The combined effects of the Covid-19 pandemic, Brexit, war, parts supply difficulties and UK labour shortages have additionally impacted upon Toyota's logistics supply chain over the past two financial years.

Throughout 2021, 2022, and early 2023 there has been significant volatility with the supply of parts, particularly with the global supply shortage of semiconductor chips. The company directors and senior management team have stayed informed of the supply situation, understanding the key concerns, reviewing options for how to overcome potential delays, and have met regularly with Toyota Motor Europe to review strategies for how to decrease the impact upon the company's manufacturing vehicle levels and the overall impact to production levels within Europe. The inventory for some parts has needed to increase due to extended lead times. The Toyota Production System or TPS, has supported visualising the part supply concerns and enabled standardised processes to be implemented to improve the Just-In-Time (JIT) deliveries, inventory stock levels and therefore reduce disruption to vehicle and engine manufacturing in the UK. The positive outcome of such measures has been to reduce the non-production time within the UK and to support Toyota's achievement of record market share in Europe.

In February 2023, the parts shortages for semiconductor chips caused a two-week production stop. The company directors and senior management took the decision to pay production members their normal pay and to utilise the company's Banked Hour system, whereby members will work back the hours during 2023 when the parts supply chain is expected to return to normal. During the two-week production stop, office-based members continued to work, although this was via remote working (utilising the Work From Home policy) to allow the offices to be temporarily shutdown and this enabled a cost saving to be achieved in the form of utility costs (heating, air conditioning, electricity and lighting costs).

Toyota Motor Manufacturing (UK) Limited

Strategic report for the year ended 31 March 2023 (continued)

Section 172 – Duty to promote the success of the company (continued)

Decision making (continued)

Example 2 – Diversity & Inclusion

Toyota considers diversity and inclusion to be a key success factor in our business, enhancing innovation and giving access to the widest possible pool of talent and ideas. The company is working to create an attractive workplace where members with wide-ranging skills and values, irrespective of gender, age, nationality, race, ethnicity, religion, sexual orientation, gender identity, disability, marital status, or the carer for children and adults, demonstrate their abilities to the fullest and achieve self-realisation

Through actively engaging multiple channels to attract a more diverse recruitment pool, TMUK was able to improve gender ratio in new recruits significantly, for example half of all 2023 engineer hires are women.

Diversity and Inclusion initiatives within the company supported by the company directors have included:

- Continuation of the annual 12-month Mentoring scheme
- Recognising the need to be an ally via annually promoting International Women's Day; International Men's Day; and International Day Against Homophobia, Biphobia and Transphobia
- Toyota Motor Europe hosting regular European Diversity Conferences

The company directors have embraced diversity & inclusion and have taken the decision to cascade to all members on a regular basis involving themselves in the planning and roll-out of training programmes, management commitments, and video awareness messages. This has also involved the launching of Kaleidoscope during 2022, led by members to support our LGBT+ community, and planned for 2023 is the launch of a similar group to promote education and support for the diversity of culture, religion and ethnicity.

Example 3 – Innovation and the Business Revenue Centre (BRC)

During 2022, the directors and senior management team have continued to support the expansion of the Business Revenue Centre (BRC), which supports Toyota's transitioning towards a mobility company. The focus has been on developing a closer working relationship directly with the other UK-based Toyota affiliates in the UK and enhancing the number of services the BRC is able to offer. These include significant activity to extend the capacity of Toyota to capture value throughout the lifetime of the vehicle, including extending the vehicle life cycle with refurbishments, alloy wheel refurbishment, MOT testing facilities, fitting of accessories to meet customer needs, and 360 imaging to enable online retailer to customer sales. New market opportunities including, vehicle conversions, fitting of accessories to meet customer needs and vehicle repairs are also undertaken in the Centre. This has involved investment decisions needing to be discussed and agreed by TMUK in direct collaboration with the wider Toyota group in the UK, taking in to account analysis of market opportunity and broader business strategy for vehicle lifetime extension, alongside environmental, people and financial merits. There has needed to be a strong focus during the financial year on applying Toyota's robust systems within the new facility and developing a dynamic & skilled workforce for the future, and this approach has enabled rapid start-up. The focus for financial year 2023-24 will be on further expanding the facility and increasing vehicle capacity and volume.

Toyota Motor Manufacturing (UK) Limited

Strategic report for the year ended 31 March 2023 (continued)

Respect for human rights

The relationship between the company and its members is broadly governed by TMAB. The company has a Single Union Agreement (the Agreement) with Unite. The Agreement includes all terms and conditions as well as the principles to which both the company and members should adhere. TMAB includes elected member and company representatives. TMAB meets regularly throughout the year to discuss and resolve issues affecting members and the company. The Agreement can only be changed by agreement at TMAB.

The company has actively taken action to prevent modern slavery in its supply chain. Since 2016 bespoke training was created and rolled out within the business and to stakeholders. The company has continued to keep updated with best practice within the UK and where possible to share learning with stakeholders and suppliers. This covers guidelines as to what modern slavery and human trafficking looks like, due diligence checks, and how to respond to concerns. Modern Slavery Act provisions have also been built into commercial agreements and purchasing terms and conditions.

Approximately 3,000 members have been briefed in what modern slavery and human trafficking is and the signs to look for. All new members receive training via the company's Induction Programme. Additionally 200 members have received additional training with how to respond to concerns at work, at suppliers and outside of work. The company's training material has been shared with key suppliers and contractors during briefing sessions. The company's modern slavery lead has attended external training in order to support the company's strategy. The company's purchasing department attended externally recognised training during Autumn 2019 and an online training video was shared via the company's website in late 2021.

The company continues annually to recognise the UK's Anti-Slavery Day each October.

A dedicated email mailbox has been set up for the company's compliance officer in addition to an established phone line to enable 24 hour reporting, seven days per week. The company continues to undertake audits and conduct relevant checks.

Anti-corruption and anti-bribery matters

The company has a zero tolerance policy towards corruption and bribery in any form irrespective of the context. The company prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other contribution, favour, advantage, to or from any person or company, public or private, by any of its members or associates for whatever reason, in order to gain any commercial, contractual or regulatory advantage in any way which is unethical or in order to gain personal advantage, financial or otherwise, for the individual in question or any other person connected with the individual.

All the company's vehicle and engine sales are within the Toyota group and therefore risks of bribery or corrupt practices would be more likely associated with supplier selection and purchasing.

The company judges that the risk of corrupt practices is low, as the company largely deals with lower risk countries (Belgium and Japan) and due to the robust authorisation processes requiring completion of standard documents and senior management sign off for high value projects.

Toyota Motor Manufacturing (UK) Limited

Strategic report for the year ended 31 March 2023 (continued)

Anti-corruption and anti-bribery matters (continued)

Nevertheless, the company places importance on demonstrating compliance with anti-bribery legislation. The company's approach to anti-corruption and anti-bribery matters is set out in the Code of Conduct, and outlines that our relationship with suppliers, contractors, business partners and contacts should be established and conducted on a clear and fair basis and that initial supplier selection and subsequent decision making regarding sourcing, price, service levels, etc. is based on fair, transparent, objective analysis and authorisation.

All company directors are briefed in detail on anti-corruption and anti-bribery practices during their induction to the company's board and formally declare any interests on an annual basis.

Members are expected to report to the company genuine facts, concerns or suspicions they have become aware of regarding corruption or bribery at the earliest possible stage. Any facts or suspicions regarding serious wrongdoings are reported through the supervisory chain, or directly to the company's compliance officer, with the option to remain anonymous. Any reported facts of suspicions will always be taken seriously, investigated thoroughly and dealt with appropriately.

Research and development

It is a company policy that management and engineering actively pursue technical and product innovations and development, not only to implement manufacturing process innovation, but also to meet customers' changing requirements and develop new market opportunities.

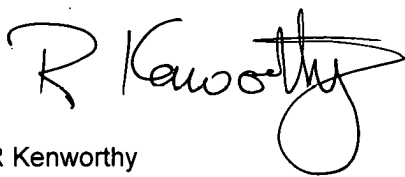
Throughout the year, we have continued to develop our processes with the aim of ensuring the highest possible quality and productivity while responding to customer demand.

Future developments

Following the continued successful sales of Corolla in Europe throughout 2022, it is expected that the company will continue to produce the vehicle for European destinations throughout the model life. Taking advantage of the success of the hybrid drivetrain and the enhancements offered by the TNGA (Toyota New Global Architecture) platform, investigations into additional Corolla customisations are ongoing, with an aim to secure volume and margin over the vehicle lifespan.

At the same time, the post-production parts business for UK destination Toyota imports has continued to grow and it is anticipated that this business will continue to expand over the coming years. During 2021 the scope of our activity expanded to used vehicle refurbishment and this area of the business continues to grow.

Approved by the Board and signed on its behalf by



R Kenworthy
Managing Director

28 March 2024

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023

The directors present their annual report and audited financial statements of the company for the financial year ended 31 March 2023. The company's future developments and details on the company's research and development activities are set out in the Strategic report.

Going concern

To assess the company's appropriateness of the going concern basis of preparation, the directors have prepared a detailed liquidity analysis covering the period to 31 March 2025 hereafter referred to as the going concern period of review. The company's forecasts and projections take account of reasonably possible changes in trading performance due to parts supply, including under a number of cash flow scenarios and stress tests. The reasonably possible changes in trading performance include a severe, but plausible, downside scenario, a month long shutdown, due to the unavailability of parts.

Toyota Motor Europe NV/SA (TME) is both the main supplier and customer of the company and acts as an internal bank for the European subsidiaries of the global group, providing general funding and day-to-day working capital under cash pooling arrangements. Accordingly, there is no material cash held by the company - all balances are 'swept' to a minimal balance at the end of each month. Further information on the company's financing position is given in note 13, - Creditors: amounts falling due within one year.

The company continues to be dependent on funding from its intermediate parent company, TME. The directors have received a letter of support from that entity for at least 12 months from the date these financial statements are approved, committing to provide financial assistance to enable the company to meet its liabilities as they fall due. In assessing the supporting entity's financial ability to honour this support, the directors have become aware that in order to have that ability, TME is dependent on financial support from Toyota Motor Corporation (TMC). TME has received its own confirmation of funding arrangements from TMC through to March 2025. The directors have assessed TMC ability to honour that support and concluded that TMC have the necessary financial strength and liquidity to do so over the period.

In conclusion, the directors have a reasonable expectation that the company has access to adequate financial and other resources available to continue in operational existence for the foreseeable future. Accordingly, the directors believe that it is appropriate that these financial statements are prepared on a going concern basis.

Dividends

The directors do not propose the payment of a dividend (2022: €nil).

Principal risks and uncertainties

The company sells its vehicle production to Toyota Motor Europe NV/SA, who market and sell the vehicles. Volume, price and exchange risk are borne by the company in the normal course of the business. Part of the engine output from the engine plant is exported to Toyota group companies around the world. Purchases are primarily from other group companies at pre-agreed rates. The company bears the volume, price and exchange risks related to these transactions. Where possible, local suppliers are used to minimise risk in the supply chain, steel for example is sourced within Europe.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Principal risks and uncertainties (continued)

Volume risk management

The company's business is substantially dependent upon the sales of its vehicles in the UK and Europe. Production is made on behalf of Toyota Motor Corporation (TMC), the company's ultimate parent, and sales are made to TME, ensuring a continuous order book for the company. The European market has been affected by parts shortages, price increases and the move towards new technologies. The company is responding to this by increasing flexibility to accurately match supply with customer demand. Failure to do this will lead to a reduced market share, which would influence the financial result.

Principal risks and uncertainties (continued)

Risk of warranty claim

The company purchases certain components from third parties and other group companies, as well as completing manufacturing and assembly in house. If a product were to need recall, this could lead to significant remedial work and costs. The ongoing campaigns relating to airbags is an example that shows these charges can be significant.

Financial risk management

The company's operations expose it to several financial risks, principally the effects of changes in exchange rates and interest rate risk. The company seeks to limit the adverse effects on the financial performance of the company by minimising its net currency exposure. The company does not use derivative financial instruments to manage interest rate costs and no hedge accounting is applied.

Given the size of the company, the directors have delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies are implemented by the company's finance department.

Credit risk

Cash and trade debtors are immaterial and therefore the company has no material external credit risk.

Price risk

The company is exposed to commodity price risk as a result of its operations, particularly in relation to movements in the price of steel and aluminium, which are purchased locally and the purchase of hybrid technology from TMC, in Japan. However, given the size of the company's operations, the costs of further managing exposure to commodity price risk exceed their potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company's only exposure to equity securities price risk is within its pension scheme. This risk has been managed by increasing the proportion of other assets used to fund the scheme and by diversifying the spread of equities so that over reliance is not placed on any single stock.

Liquidity risk

The company actively maintains short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Financial risk management (continued)

Exchange rate fluctuation

The impact of exchange rate movements on the company is managed by balancing the expected inflows and outflows in currencies other than Euros. The company limits its exposure to currency transaction costs by receiving a net payment in Euros after all currency transactions have been accounted for, a system known as Toyota Global Netting.

Interest rate cash flow risk

The company's exposure to interest rate risk is minimised due to interest bearing assets and liabilities within the group being on fixed margins. Other cash balances or borrowings outside the group are minimised due to the company's participation in the Toyota Global Netting system.

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. Toyota Motor Europe NV/SA also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of the company and its directors.

Business relationships

See Section 172 (c) - Business relationships on page 5 of the Strategic report.

Creditor payment policy and practice

The company agrees terms and conditions under which business transactions with suppliers are conducted. It is company policy to ensure that suppliers know the terms on which payment will take place when business is agreed. It is company policy that provided a supplier is complying with the relevant terms and conditions, including satisfactory supply of goods and services and the prompt and complete submission of all specified documentation, payment will be made according to the agreed terms and conditions.

Health and safety

The company continues to place safety at the centre of all activities and drives for continuous improvement in health and safety year on year. Annual improvement activities and challenging targets are fully integrated into the company's annual planning process.

Charitable and political donations

During the year to 31 March 2023, the company made charitable donations amounting to a total of €786,658 (2022: €592,000). These donations comprised €5,220 (2022: €2,000) donated to charities involved in conserving the environment and promoting environmental preservation and awareness, €181,394 (2022: €58,000) donated to charities involved in medical, health and human service research and €600,044 (2022: €532,000) donated to local charities involved in a range of activities within the local communities surrounding Burnaston and Deeside. Further details of money raised during the year are provided on page 3 of the Strategic report, charitable focus and social matters.

No payments were made to political parties (2022: €nil).

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

People with disabilities

Applications for employment from people with disabilities are always fully considered, bearing in mind the respective aptitudes of the applicant concerned. In the event of members developing disabilities every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that their training, career development and the promotion should, as far as possible, be identical to that of a member who does not suffer from a disability.

Employee engagement (Member involvement)

Members are critical to the company's success. The company is committed to regular communication with members (employees of the company) to provide them with information relating to their work and the company's planned performance and business environment. This is achieved through a variety of means, ranging from daily meetings between members and their supervisors, and regular business updates via company newsletter, app posts and TMAB.

Management actively engages through the annual hoshin speech and regular lunchbox sessions directly with members. These provide an opportunity for all members to ask questions directly to management.

The effect of employee engagement on the principal decisions made by the company can be found in the section 172 statement commencing on page 4 of the Strategic report.

TMAB is the forum in which members' representatives regularly meet with nominated company senior executives to discuss matters of common interest, advise the company on aspects of its operations and review changes in salaries and terms and conditions of employment. TMAB plays a critical role in creating an environment of mutual trust and respect between the company and its members.

Engagement with the members through TMAB highlighted the importance to members of a salary increase to recognise member contribution during the year. As a result of these discussions, a salary increase was agreed.

Engagement is also measured through a company-wide opinion survey. This enables us to track the overall engagement index, and areas of the business that can be improved.

The company is also committed to Diversity & Inclusion (D&I). This is an integral part of our Toyota Way and respect for people. Diversity draws on the varied talents of people with diverse customs, education, training and work habits. With inclusion allowing each member to reach their full potential.

Our current D&I activity has focussed on three key areas relating to recruitment, development, retention and cultural change.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Other Stakeholder engagement

Stakeholder engagement is important to the company and the company has a diverse group of stakeholders. Exchanges of information happen on a regular basis as the actions of stakeholders can have an effect on the company.

The Board are made aware of the needs and requirements of these stakeholders through regular discussions with the departments who have the contact with the stakeholders. Any concerns are raised and the Board acts to ensure that feedback is built into future decision making.

Some examples of stakeholders follow.

Customers

The needs of the customer, whether it is our immediate customer TME or the ultimate customer who buys the vehicle are important to the company. The flexibility that the company provides in terms of fulfilling customer orders to TME is a key contributor to this.

Suppliers

The supplier network that supports the company is essential to our success. The company develops mutually beneficial long-term relationships based on mutual trust. This is achieved through close and wide-ranging communication to share knowledge to enhance the relationship. It is required that all suppliers operate in accordance with the company's code of conduct.

Government and trade bodies

The company engages in regular exchanges with HM Government and its various departments along with trade bodies such as the Society of Motor Manufacturers and Traders (SMMT).

The company is involved in SMMT working groups affecting the automotive industry such as Customs and Tariffs.

Community and charity

The company recognises the importance of its position in the local community. Details of its charitable work can be found on pages 3 and 13.

The company recognises that its actions have an effect on its local community.

The principal decisions made during the year, which affected the other stakeholders, are detailed on pages 7 to 8 of the Strategic report.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Corporate Governance

The company has not formerly adopted a UK specific corporate governance code. However, the company's board of directors have considered The Wates Principles, and, in this statement, the company has set out how the company has aligned itself to these governance principles during the financial year.

The company's corporate governance framework exists of three key strands:

- 1) Governance
- 2) Compliance and legal monitoring
- 3) Risk management

Principle One – Purpose

An effective Board promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

Purpose

The company is a separate Toyota entity. The company is based at Burnaston in Derbyshire and Deeside in North Wales. The vehicle manufacturing plant at Burnaston in Derbyshire builds the Corolla and Hybrid Corolla for the UK and European markets. The engine manufacturing plant at Deeside in North Wales builds the ZR engines for the UK, South Africa and Turkey. The company is wholly owned by its parent company Toyota Motor Europe NV/SA (TME), which operates from Brussels in Belgium. TME is wholly owned by its parent company, Toyota Motor Corporation (TMC) headquartered in Japan.

The company is one of nine Toyota European Manufacturing Companies operating from seven European countries.

The Board of Directors

The Board consists of UK and Belgium based directors. The UK directors meet on a weekly and daily basis as necessary, whilst the full Board comes together for a Business Update Review Meeting (BURM) on a monthly basis. The directors have a wide variety of skills, expertise and company experience, which they bring to the Board. They are collectively responsible for ensuring the company's values, systems, procedures, Toyota Guiding Principles (pages 18 to 19 values and culture), Code of Conduct (page 19 values and culture), The Toyota Way (page 20 values and culture), and company strategy are adhered to. All directors have an equal decision making status and accountability to deliver both the company's and parent company's strategies, achieve an acceptable operating performance and execute the Board's duties.

Each new director in post has an induction programme to ensure there is consistency in approach.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Corporate Governance (continued)

Principle One – Purpose (continued)

The directors core duties consist of:

- To act within their legal powers.
- To promote the success of the company.
- To act with independent judgement, reasonable care, skill and diligence.
- To avoid conflicts of interest and declare their interests.
- To not accept (or allow others) benefits from third parties.
- To act in a manner which encourages peers and members throughout the company to take an interest in production, capital, finance, investment, the organisation and people management, legal compliance and risk management.
- To uphold the company's policies including, authorisation policy, escalation policy, expenses and travel policy, Code of Conduct and interested parties.

Leadership

The company has a comprehensive organisational chart. In addition, at director level, the directors have clearly defined duties and responsibilities with the intention to promote the long-term success of the company.

The directors' responsibilities in respect of the financial statements are described on page 37.

Training

Training is present throughout the company via the Development Map for all Occupational Classes of employee. A number of the training programmes originate from TMC in Japan and have been cascaded, for example The Toyota Way, Toyota Principles and Toyota Business Practices (TBP).

Clearly defined values underpin the company's culture and how the directors lead the company. The Toyota Guiding Principles and Code of Conduct is incorporated into all levels of training within the company, temporary workers and contractors.

Values and Culture

The company has a global set of Guiding Principles, which it follows. Since TMC was founded in 1937, TMC and its subsidiaries have continuously strived to contribute to the sustainable development of society and the earth through the provision of high quality and innovative products and services.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Corporate Governance (continued)

Principle One – Purpose (continued)

Values and Culture (continued)

Through such continuous efforts, the company has established its own management philosophy, values and methods that have been passed down from generation to generation throughout the company. This management philosophy has been summarised into what is known as the 'Guiding Principles at Toyota'. Updated in 1997 and still valid today, the Toyota Guiding Principles are a cornerstone of the company's corporate management philosophy and help it to steer a clear path toward achieving sustainable development in Europe.

- Honour the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world.
- Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the communities.
- Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all our activities.
- Create and develop advanced technologies and provide outstanding products and services that fulfil the needs of customers worldwide.
- Foster a corporate culture that enhances individual creativity and teamwork value, while honouring mutual trust and respect between labour and management.
- Pursue growth in harmony with the global community through innovative management.
- Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

Additionally, the company has its own seven UK-based Principles it adheres to. These are:

- To create a safe, healthy, harmonious, and dynamic working environment. To respect human rights and not to discriminate. To comply with all relevant laws and regulations.
- To strive for discussions based on mutual trust and respect, and aim for long term prosperity. To provide social protection and remuneration in line with the local regulations and well-balanced practices.
- To respect human rights and therefore provide a workplace free from harassment and intimidation. Our members are not forced to work against their will and they work without threat of punishment. The company does not endorse child labour practices, everyone working at the company is doing so voluntarily and free from threat of penalty or coercion.
- To strive for a healthy work-life balance for its members.
- To require its suppliers and contractors to operate in accordance with the company's Code of Conduct and be compliant with all applicable laws and regulations in the countries in which they operate.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Corporate Governance (continued)

Principle One – Purpose (continued)

Values and Culture (continued)

- To develop mutually beneficial long-term relationships based on mutual trust with all suppliers. To foster that trust, the company pursues close and wide-ranging communication to share knowledge to enhance the business relationship.
- To encourage members, suppliers and the public to 'speak up'. Facts or suspicions regarding serious wrongdoings should be reported through the supervisory chain (preferred route) or directly to the company compliance officer on a dedicated telephone number (with anonymous option) or via a dedicated email address. Additionally, there is a 'speak up' telephone line for Europe reporting to Toyota Motor Europe.

The company Code of Conduct is based on the TMC and TME Codes of Conduct.

The Code of Conduct ensures that the company's business practices are conducted in an open and fair manner with integrity and honesty, therefore confirming our commitment to complying with laws, regulations and working standards. The Code of Conduct explains the type of behaviours required and expected by all employees, irrespective of their level whilst enhancing business performance to provide employment and to maintain fair and stable working conditions for our employees. In addition, the Code of Conduct gives guidance to our employees to support them in their daily decision making activity.

The Code of Conduct is applicable to all of the company's members, temporary employees, suppliers, contractors and consultants working onsite. It is briefed to all members on induction and each member signs to confirm the briefing. All members are reminded of the key principles through the supervisory chain twice yearly.

The Code of Conduct covers a range of topics:

- Respect for human rights
- Health and Safety
- Compliance with the law
- The management and use of confidential information
- Environmental preservation
- Honest and fair transactions
- Our relationships with suppliers and shareholders
- Philanthropy and community relations

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Corporate Governance (continued)

Principle One – Purpose (continued)

Values and Culture (continued)

The company's culture is further embedded through the Toyota Way 2020. A series of ten principles that are the foundation of everything the company does.

- Act for Others
- Work with Integrity
- Drive Curiosity
- Observe Thoroughly
- Get Better and Better
- Continue the Quest for Improvement
- Create Room to Grow
- Welcome Competition
- Show Respect for People
- Thank People

History

The first car, a Carina E, drove off the Burnaston production line on 16 December 1992. This was subsequently replaced by the Avensis in 1997 which saw three generations throughout its history.

In 1998, the Corolla was introduced, which paved the way for the launch of the new generation Corolla in 2001. Then, in 2007, production of Auris, the new hatchback, replaced Corolla. Production of Auris Hybrid, the first full mass-produced hybrid in Europe followed in 2010 and Auris Touring Sport in 2013.

In July 2018, the final Avensis came off our production line. The company is proud to have been the home to the Avensis for over 20 years.

In 2019, Toyota introduced a new generation of car. Toyota is the leading company for hybrid vehicle development, and the new Corolla with its Touring Sports variant is the future of the company – the first model to introduce Toyota's dual hybrid strategy and replaced Auris when it started to roll off our production lines.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2022 (continued)

Corporate Governance (continued)

Principle One – Purpose (continued)

The Background to Hybrid Technology in the UK

Toyota was the first global company to introduce the hybrid drivetrain in the form of the Toyota Prius. Toyota hybrids continue to be highly effective with a popular range of vehicles and a reducing environmental and CO₂ impact. The company was the first European manufacturing plant in 2010 to introduce hybrid vehicle production for C-segment vehicles and during the year 95% of vehicles built were hybrid. This continues to be an upward trend.

Strategy and Policy

The Board's purpose is to assist and uphold the global Toyota approach, the continuity of its implementation and the alignment of policies to support it. Two such examples are the company's approach to Health and Safety and Legal Compliance and Risk Management.

The key strategic decisions that have been made during the year are detailed on pages 7 to 8 of the strategic report.

Health and Safety

There is a TME Health and Safety Policy, which is an umbrella policy for the company's Health and Safety Policy.

The policy and procedure hierarchical structure for Health and Safety at the company is as follows:

- Site Health and Safety Policy.
- Health and Safety Procedures (health, fire and emergency, training information and reporting, workplace management, machinery and equipment and electrical safety).
- Member Guide Cards. The guide cards are training documents used in order to emphasise simple key messages and as the starting point for any member who wishes to learn more.
- Departmental health and safety arrangements (risk assessments, training requirements, access and control of contractors and visitors on site, emergency response rules, licensed work and the hierarchy of control).

The company has an internal health and safety website, which publishes all the information, procedures, guide cards, safety data sheets, and monthly reports. All our members and principal contractors have access.

The aim of the Site Health and Safety policy is to provide and maintain an injury free and healthy workplace and working environment for all members, visitors and contractors. The company fosters a health and safety culture based on our members recognising that they do not just owe a duty to take care of their own health and safety, but also to consider their peers' health and safety: "your safety is my safety".

The Site Health and Safety Policy applies not just to members, but also to contractors and visitors to site. The policy is provided to contractors, displayed around site and freely available to anyone.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Corporate Governance (continued)

Principle One – Purpose (continued)

Health and Safety (continued)

The Site Health and Safety Policy is reviewed every five years, although a review takes place if there is a change in regulation, after an accident if improvements can be made, and at any improvement point. Minor changes, such as an amendment to an appendix, are reviewed in the Health and Safety Team and approved by the HR General Manager. Major changes usually take place after the issue has been considered by a small working group. The changes are then reviewed by all General Managers who are impacted by the changes, the Production Director, and the Deputy Managing Director. Changes to the Site Health and Safety Policy are approved by the Managing Director.

Anyone at the company can access a full copy of the Site Health and Safety Policy at any time via the Health and Safety Website.

Legal Compliance and Risk Management

The purpose of legal compliance is to monitor and assess new legislation changes on the horizon and current legislation to ensure systems, procedures and practices are in place within the company, in order to operate in a legally compliant manner.

The company assigns legal monitoring to experts within each division. The experts are long-serving members, knowledgeable about legislation and are therefore well equipped and placed to exercise reasonable care and have the ability to 'Stop, Call and Wait', i.e. know when to escalate a concern. The members are responsible as a working group to maintain good corporate governance and legal compliance at the company. The members will review the company's current activities and legislation in order to accurately assess its potential impact on business operations. The company's legal monitoring activities are internally audited on a quarterly basis and the operating condition is reported directly to the directors and TME.

The purpose of risk management is to monitor and assess the risk management systems, procedures and practices in place within the company, and to ensure alignment on both a European and Global basis.

The areas within risk management are managed individually, with a separate structure and reporting to top management. The risk management committee meet twice per year, this is at General Manager level meeting. Following this meeting the risk register is presented at the directors meeting.

Examples of recent discussion by the risk management committee have been Covid-19 pandemic and global supply chain issues.

Principle Two – Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Corporate Governance (continued)

Balance and Diversity

Toyota appoints outstanding individuals of high integrity as directors based comprehensively on their past achievements and experience regardless of their gender, nationality or any other factors, with the aim of placing the right person in the right position. Toyota maintains this principle and proactively appoint the right persons to the right posts in view of their roles and experience, focusing also on diversity.

The Board is made up of listed directors with a variety of skills, expertise and experience (both within the company and outside) which complements the skill set they provide to the company. In summary:

Statutory directors

Richard Kenworthy returned to Toyota Motor Manufacturing UK, 1st January 2021 as Managing Director. Richard is responsible for the vehicle manufacturing plant in Burnaston, Derbyshire and the engine manufacturing plant in Deeside, North Wales. He has worked for Toyota for 30 years and originally joined Toyota Motor Manufacturing – Deeside Engine Plant, as a Production Control Specialist in 1991. During the course of his time in the engine plant he held a number of positions covering all the different functions in the plant. In 2012, he became the Plant Director. He transferred to Toyota Motor Europe NV/SA in 2014, as Director of TME's Vehicle Production Engineering function and from 2019 until 2020, he was Vice President of TME's Production Control function.

Agustin Martin has been a company Board Director for Toyota Motor Manufacturing UK since 30th January 2023 and holds a number of UK Toyota entity directorships. He brings a wealth of knowledge and experience from various roles he has undertaken since joining Toyota in 1995, which include after sales, product planning and marketing, President and CEO of Toyota Spain (2015-2017), mobility and connected car within Toyota Motor Europe (2018-2020) and President & Managing Director of Toyota (GB) PLC from October 2020.

Philippe Ochs has been a company Board Director for Toyota Motor Manufacturing UK since 30th January 2023 and is Head of Accounting & Finance in Toyota Motor Europe, Brussels in Belgium, reporting to the Chief Financial Officer.

Kazunori Takagi has been a company Board Director for Toyota Motor Manufacturing UK since 30th January 2023 and is Senior Vice President for European Manufacturing Companies & Manufacturing Support at Toyota Motor Europe, reporting to Marvin Cooke, Executive Vice President of Manufacturing.

Scott Thompson was appointed a Director on Toyota Motor Manufacturing UK's Board of Directors 1st January 2024. Scott Thompson is also President and Managing Director of Toyota (GB) PLC, the national sales and marketing company for Toyota in the UK, appointed in the role 1st January 2024. Previously he was Vice President - Mobility in Kinto Europe, Toyota's mobility service business, and prior to that was CEO of Lexus in Australia.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Corporate Governance (continued)

Principle Two – Board Composition (continued)

Statutory directors (continued)

The Deputy Managing Director, Tim Freeman has worked predominantly within the automotive industry, having experience in the supply, transmissions and vehicle manufacturing areas. He has worked for the company for over 20 years, holding a number of senior management posts within Press and Body, Human Resources, Director of Production Operations with responsibility for Vehicle Manufacturing, Quality Assurance, Facilities and Environment, Vehicle Projects and responsibility for the Engine Plant. He also spent two and a half years on secondment as Production Vice President at Toyota, Peugeot, Citroen Automobile in the Czech Republic. As Deputy Managing Director from 1st January 2020, he has responsibility for Human Resources, Finance and Purchasing, Corporate Planning and External Affairs, Production Control and the Business Revenue Centre (BRC). From the 1st January 2021, Tim has held the role of Company Secretary on the company's board and is the company's Compliance Officer.

Board appointments are determined by the company's parent company TME. Board members are typically 'home grown' and have typically gained multifunctional experience through rotation including international experience, for example UK, Japan, Belgium or another country.

Non-statutory advisors

Marvin Cooke resigned from the company's Board 31st December 2019. He remains an advisor to the company via his role in TME as Executive Vice President of Manufacturing. He joined the company as a Manufacturing Engineer in 1991 and has held a number of management and director roles throughout the business. Secondments have been undertaken in Brussels, the Czech Republic and France. He continues to join the monthly Director Meetings and visit the company on a regular basis.

Size and Structure

The size and structure of the Board is determined by the company's Articles of Association and the company's parent company, TME.

The current size of the board is considered appropriate. It has the required experience and can rely on additional support as described on page 23, Balance and Diversity.

All board external filing with Companies House is completed by the company's Company Secretary, following Written Resolutions from TME.

The board is appointed by TME based upon skills, experience and expertise. The company Board is independent from TME and able to make its own decisions based upon information available.

The board meetings are attended by all Companies House registered directors and other senior members of the company, as described on page 23, Balance and Diversity, who offer their expertise and up-to-date information from their reporting areas of the business to support the Board with their decision making.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Corporate Governance (continued)

Principle Two – Board Composition (continued)

Effectiveness

The board's effectiveness is periodically reviewed by TME, as part of succession planning. All directors participate in the company's appraisal system, which is operated by Human Resources. Appraisals are conducted on a twice per year basis between the director and their reporting line manager. The appraisal system reviews individual member objectives, key performance indicators (KPIs) and performance against the key Toyota Way competency areas (Principle One). At a director level, assessment is in line with their peers on a global and pan-European level. Director salary reviews are based upon their demonstrated competencies and their bonus determined by their performance against individual annual objectives which include Health and Safety, Quality, Cost and Productivity.

During the director induction, the role of the Company Secretary is explained and if there are any concerns regarding the effectiveness, working relationships or governance of the board, the directors are to report it to the Company Secretary.

On a monthly basis the full board meet via a Business Update Review Meeting. The purpose of the meeting is to review the financial status of the company, operating performance, emerging risks and key developments in all business areas. Presentations are given by the line directors and they take questions and respond to any immediate concerns escalated. Information presented is cascaded to TME and TMC.

Diversity

The board has a reasonably diverse team in terms of skills, expertise, culture, race, automotive industry knowledge and experience. The automotive industry is changing and a more diverse talent pool is being recruited in terms of age, gender and race. With this change, career progression of a more diverse workforce is taking place. The board is committed to the company's direction and progression towards a diverse workforce for the future.

Principle Three – Director Responsibilities

A board should have a clear understanding of its accountability and terms of reference. Its policies and procedures should support effective decision-making and independent challenge.

Accountability

The Managing Director is responsible for ensuring the board discharges its duties efficiently and that it delivers the company's strategy by directing and controlling operations, managing the day-to-day business and ensuring it is aligned to the agreed strategy. The Deputy Managing Director and directors make independent decisions and significant decisions are generally made by reaching a consensus of the board. Some decisions require the approval of the company's parent company, TME. Guidance as to what should be referred to TME is detailed in the Authorisation Governance Chart.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Corporate Governance (continued)

Principle Three – Director Responsibilities (continued)

Integrity of Information

The Board is provided with information in a timely manner on matters that are to be considered at Weekly Director Meetings, topic specific Director Meetings and the monthly Business Update Review Meeting. The Board receives information and data from various in-house technical specialists regarding health, safety and environment, financial reporting, human resources, legal and risk management, governance, internal control processes, and manufacturing practices. The Board receives specialist information from TME, TMC and other European Manufacturing Companies and National Marketing and Sales Companies, as well as from external automotive industry experts and bodies. The stakeholder engagement list, termed the Interested Parties List, is reviewed and updated on an annual basis across the company.

Committees

The company is a lean company with a flat structure and does not appoint large numbers of standing committees. The company has a Risk Management Committee as defined in Principle One, comprising of senior management members, which informs board decisions. For other business functions, the directors appoint specialists to different areas of responsibility and regularly review status and current situation. Detail has been included within Principle One, Strategy and Policy. Examples of decisions made are described on pages 7 to 8.

Principle Four – Opportunity and Risk

A board should promote the long-term success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks. The company's approach to managing risk is outlined within Principle One on page 22, Legal Compliance and Risk Management. The principal risks and uncertainties are discussed on pages 11 and 12 of the Directors' Report. The key decisions taken relating to opportunities and risks can be found on pages 7 to 8 of the Strategic report.

The risks of the company are considered at group (TME) level through the Business Update Review Meeting, as described in integrity of information above, and the TME risk committee. The TME risk committee oversees the local company level committees that report into it. This allows TME to be aware of risks at company level and to take appropriate actions, on a timely basis, as required.

Principle Five – Remuneration

A board should promote executive remuneration structures aligned to the sustainable long-term success of a company, taking into account pay and conditions elsewhere in the company.

Setting Remuneration and Policies

Board remuneration including salary, bonus and benefits are established, reviewed and approved by TME. The effectiveness of the board and their appraisal process is detailed in Principle Two.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Corporate Governance (continued)

Principle Six – Stakeholder Relationships and Engagement

A board has a responsibility to oversee meaningful engagement with material stakeholders, including the workforce, and regard to that discussion when taking decisions. The board has a responsibility to foster good stakeholder relationships based on the company's purpose.

Key Stakeholder Engagement

The company's key stakeholders are TMC and TME. The company's members are key stakeholders within the business, their involvement is detailed below in the Workforce Engagement section. The above Corporate Governance Principles identify how the company engages regularly with the key stakeholders in everyday business.

Stakeholder Engagement - Workforce

The company established 'The Company Agreement' in 1991 with Unite the Union. The Agreement outlines the fundamental principles of the company's culture and the key Terms and Conditions. The purpose has always been to maintain stable employee relations and ensure effective employee representation is available to members on an individual and collective basis through TMAB. The Agreement is applied to all members (up to and including Section Manager – middle management level) regardless of whether the member is a union member or not.

TMAB's representational structure is based upon:

- Consensus
- Seeking to find a balance
- Based upon mutual trust and respect
- Problem solving

With the support of the existing Agreement and representational structure, TMAB has had stable employee relations since 1991.

TMAB's objectives include:

- To provide an opportunity for all members to be kept informed about company plans and performance.
- To offer advice and ideas which will assist the company to become more effective and successful.
- To provide a forum for member's views to be taken into account by the company in reaching its business decisions.
- To consider and, if appropriate, advise on matters of general interest to members such as safety, hygiene, timekeeping, attendance, the working environment, catering and social amenities.
- To review salaries and other Terms and Conditions of Employment with the company in a constructive and well-informed manner.
- To consider and advise on solutions to difficulties which might otherwise lead to conflict

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2022 (continued)

Corporate Governance (continued)

Principle Six – Stakeholder Relationships and Engagement (continued)

Stakeholder Engagement – Workforce (continued)

Collaborative meeting topics discussed include, health and safety, the production plan, salary review, terms and conditions of employment, working calendar, and learning opportunities for members.

The board ensures that its members are aware of the current position and prospects of the company through the methods detailed on page 14, Employee engagement.

Examples of workforce engagement and how the directors have incorporated and responded within the business context recently, are detailed on pages 7 and 8.

Community Stakeholder Engagement – Toyota's Community Liaison Community

Before the company started to develop the manufacturing plant at Burnaston, Derbyshire, the company engaged with the local communities and villages surrounding the site. The Community Liaison Committee (CLC) was created and still continues to meet. The committee is made up of representatives from the parish councils, local authorities and agencies. The committee was formed to provide a voice for local neighbours. Today, meetings continue to be held annually to keep the local community informed of relevant activities and the issues that affect the company and the local community. Throughout the year, the CLC acts as the first point of contact for the company to communicate with its neighbours, and for those neighbours to raise any concerns and resolve them in a timely manner.

Community Stakeholder Engagement – Charitable Activity

The company's charitable activities are detailed on page 3 of the Strategic Report and page 13 of the Director's report.

Environmental Stakeholder Engagement – Environmental aims

The board is committed to reducing the company's effect on the local environment. The Boards' role is to ensure compliance with all environmental regulations. This is carried out with support from the environment department within the facilities division. See Toyota Environmental management on page 29. The board also oversees the company's progress towards the global Environmental Challenge 2050 as detailed on pages 33 to 35.

Environmental Stakeholder Engagement - Derbyshire Wildlife Trust (DWT)

Details of the company's engagement with the DWT is on page 33.

If any matters arise through stakeholder engagement that require escalation to TME, these would be discussed at the BURM which is used to share information amongst the directors who work at both TMUK and TME. If this is not the appropriate opportunity, then discussion takes place through TME and TMUK peer discussion.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Toyota environmental management

The company aims to be a leader in manufacturing environmental performance through minimising environmental impacts from our operations. Our Toyota Environmental Management System aims to achieve this by:

- Complying with environmental regulations,
- Minimise the environmental risk from our operations,
- Continually improve our environmental performance.

Top Management responsibility for the System is designated to an Environmental Management Representative (Director level) supported by an Environment Function managed by a General Manager.

The Toyota Environmental Management System was independently verified by UTAC Ceram on 15-19 March 2021 to the following standards:

- ISO14001 : 2015 Environmental Management Systems (certified to 8 May 2024)
- ISO50001 : 2018 Energy Management Systems (certified to 8 May 2024)

An independent verification of our carbon monitoring and reporting required by our Greenhouse Gas Emissions Permit was conducted by Lucideon, and our reported emissions were verified as Satisfactory on 14 March 2023.

This year's statement includes energy and carbon reporting in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The UK is one of just five Toyota plants worldwide to be designated a Sustainable Plant with first-rate environmental credentials.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Energy and carbon reporting

Energy consumption and Green House Gas emissions

Scope	Type	Item	Year ended 31 March 2023		Year ended 31 March 2022	
			Energy Use (MWh)	CO ₂ e Emission (t)	Energy Use (MWh)	CO ₂ e Emission (t)
Scope 1	Stationary	Natural Gas	90,748	16,565	123,791	22,673
		Acetylene (Welding)		0.52		-
		Coating VOC		325		236
		Gas Oil		89.8		91
	Mobile	Diesel		-		-
		Petrol		3.3		54
		Propane		-		-
Scope 2	Electricity	Grid	82,616	15,976	92,703	19,684
		Solar	7,103	1,374	7,166	1,522
Scope 3	Indirect	Company Car Fuel		208		152
		Production Vehicle Fuel Fill		1,514		1,820
		Logistics Fuel		792		83
Total Carbon Emissions	Location Factors	Total CO ₂ e		36,848		46,315

To be read in conjunction with the detailed methodology.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Energy and carbon reporting (continued)

CO₂ intensity ratio

		Year ended 31 March 2023	Year ended 31 March 2022
kg CO ₂ e / €(000) turnover	Based on Location Factors	16.77	18.61

Methodology used

This report is undertaken in accordance with HM Government Guidance on Environmental Reporting Guidelines: Including streamlined energy and carbon reporting (March 2020).

The methodology used to prepare our energy and Greenhouse Gas (GHG) emission inventory is detailed in the World Resources Institute:

- Greenhouse Gas Emission Protocol: A Corporate Accounting and Reporting Standard (Revised Edition).
- Greenhouse Gas Protocol Scope 2 Guidance.

These standards are adopted in our own internal GHG reporting standard to create an energy and emission inventory for our Scope 1 (direct GHG emissions), Scope 2 (indirect GHG emissions) and Scope 3 (other indirect emissions). For scope 2 emissions a location based reporting method is used unless otherwise stated.

The methodology used to establish the energy consumption scope is detailed in the Energy Savings Opportunity Scheme and adopted into our Toyota Environmental Management System procedures. Energy consumption figures included in this report excludes energy consumption that is not purchased by the company or is re-billed to on-site tenants.

For purchased green energy the carbon emissions use a market based allocation method and are not included in the energy and carbon reporting and are provided as additional information in the narrative on energy efficiency actions.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Narrative on energy efficiency action taken incl. actual savings

Through energy saving activities detailed below and other improvement activities, TMUK have succeeded in achieving a continuation of reduction in CO₂ emissions.

In the period covered by this report the Environment Function continued to plan and co-ordinate energy efficiency improvements and CO₂ emission reductions led by a dedicated energy group.

Capital investment and improvements (kaizen) made by our members focused on the introduction of new technology, improving process control and reducing non-production energy through for example improving process equipment switch off. Example of some key achievements are tabulated below.

Capital Investment energy actions

Item	Annual Saving	
	Electric	Gas
Building to Booth heat recovery phase 2	-	4,760,638 kWh
Primer booth compaction activities	1,500,144 kWh	508,375 kWh
Primer booth air flow reduction	723,600 kWh	-

Member energy kaizen

Item	Annual Saving	
	Electric	Gas
ED body cooler	345,600 kWh	-
Office HVAC deadband control	781,933 kWh	268,690 kWh
Primer sludge pump kaizen	300,960 kWh	-
TSM2 shutdown	227,760 kWh	-

In the period covered by the report the company has purchased a green electricity tariff backed by Renewable Energy Guarantees of Origin (REGOs) with an equivalent CO₂ emission reduction for its supplied grid electricity.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Other Environmental actions

Activity to reduce waste generation continued with several focus areas achieving great success over the last year. Improvements in process efficiency on the soft instrument panel production process lead to a leaner die cleaning process which in turn resulted in less chemical cleaner and less rinse water waste. Reduction of cleaning waste was also an improvement area for our painting robots which flush after colour change primarily with water. The spent water, now contaminated with paint solids, had to be disposed of off-site, however after modification to our waste water treatment process we now successfully treating this waste on-site, turning the waste into clean water. Finally, further study on our plastic waste granulation process has resulted in a greater quantity of plastic waste being recycled on-site and used in the injection moulding production of bumper and rear doors.

Biodiversity improvement continued apace last year with some notable highlights including the installation of three brand new ponds for Great Crested Newts and the creation of our second butterfly bank on-site. Our partners, such as Royal Botanic Gardens Kew and Derbyshire Wildlife Trust continue to support with a range of surveys, advice and practical work. The winter period was used to conduct large scale tree thinning to enhance our woodland habitats, creating an open aspect to allow light and water in and promote the forest floor understory. A number of nest boxes were installed, including specialist bird boxes for tree creepers and kestrels. A wide range of ecological surveys were conducted by our specialist partners and whilst these showed many interesting finds it was evident the summer 2022 heatwave had an impact on our biodiversity, with pollinating insect numbers and species reducing as the wild flower season finished earlier than normal. Going forward we will look at increasing at green grid biodiversity areas and planting species that extend the flowering season.

Climate change

As part of our global Environmental Challenge 2050 TMUK continues to implement plans towards achieving zero CO₂ emissions by 2050 along with a net positive impact through material resource efficiency improvements and biodiversity enhancement. This is the target for scope 1 and scope 2 emissions.

An Overview of Toyota's Environmental Challenge 2050

Toyota has been continuously following trends and customer's opinions and considering what issues should be focused upon; and working on environmental issues with new ideas and technologies in anticipation of future issues. However, global environmental issues such as climate change, water shortages, resource depletion and loss of biodiversity are continuing to grow and increase in seriousness every day.

Toyota formulated the Toyota Environmental Challenge 2050 in October 2015 and the 2030 Milestone in 2018 so that each one of us can face these issues and contribute to tackle challenges from a long-term perspective of the world 20 and 30 years ahead. Also, in 2020 we set the 2025 Target as the most recent target of the Toyota Environmental Action Plan, a five-year plan for achieving this. By establishing a medium to long-term vision and implementing specific measures from the vision in collaboration with global consolidated subsidiaries and business partners around the world, we are pursuing the development of a sustainable society.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Climate change (continued)

An Overview of Toyota's Environmental Challenge 2050 (continued)

The Toyota Environmental Challenge is being coordinated on a global scale and has been cascaded to Toyota Motor Manufacturing UK. Practically this means we have undertaken a sustainable plant approach, specifically implementing a three-pillar strategy to provide a structured strategic roadmap for all future environmental activities.

In our journey towards sustainability, we believe that a sustainable plant should be able to operate for more than 100 years with minimal impact on the environment.

To achieve this vision, it should:

- Use renewable energy, such as solar and wind power. We have significant solar arrays at both our Burnaston and Deeside locations. We continue to investigate wind power opportunities.
- Implement innovative technologies to reduce waste and achieve ground breaking environmental performance.
- Enhance the natural environment and preserve ecosystems through tree planting and other conservation activities, such as our relationship with Kew Gardens.

The UK is one of just five Toyota plants worldwide to be designated a Sustainable Plant with first-rate environmental credentials.

2030 Milestone

Toyota Environmental Challenge 2050	Key Measures Taken
Life Cycle Zero CO2 Emissions Challenge	Developed and installed a technology demonstrator installation for Hydrogen production and refuelling.
New vehicles Zero CO2 Emissions Challenge	Successful for APC funding to support a project to develop a fuel cell powered Hilux.
Plant Zero CO2 Emissions Challenge	Progress towards 2030 milestone with CO2 emissions of 17,069.77t CO2e.
Challenge of Minimising and Optimising Water Usage	Reduction in domestic water consumption by 17,000m3 per annum (6% reduction in site water consumption).
Challenge of Establishing a Recycling based Society and Systems	Ongoing support for cross company study into vehicle circularity, recovery and recycling projects with on-site trials.
Challenge of Establishing a Future Society in Harmony with Nature	Continuation of site biodiversity initiatives and external partnership activities including expansion of Gren Grid planting across site.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Climate change (continued)

2030 Milestone (continued)

The company's main area of focus in relation to the global targets currently relate to the reduction of CO₂, which can be seen in the energy and carbon reporting on pages 30 and 31 and establishing a future society in harmony with nature, as mentioned in the company's other environmental actions on page 33.

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Statutory directors

The following directors held office during the year and up to the date of signing the financial statements (all resident in the UK unless stated):

Mr R Kenworthy

Mr A Takami (resigned 1 January 2023)

Mr K Takagi (appointed 30 January 2023) (resident in Belgium)

Mr A Martin (appointed 30 January 2023) (resigned 1 January 2024)

Mr P Ochs (appointed 30 January 2023) (resident in Belgium)

Mr S Thompson (appointed 1 January 2024)

Company registered number

Registered number: 02352348

Toyota Motor Manufacturing (UK) Limited

Directors' report for the year ended 31 March 2023 (continued)

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

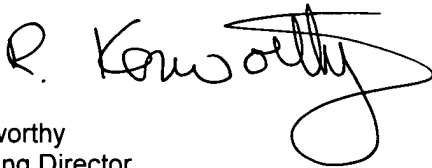
The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board and signed on its behalf by



R Kenworthy
Managing Director
28 March 2024

Independent auditors' report to the members of Toyota Motor Manufacturing (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Toyota Motor Manufacturing (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2023; the Profit and loss account, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing and challenging the directors' going concern assessment including consideration of cash flow forecasts, in a base case and a downside scenario, over the going concern period.

- Validating that the company has access to the necessary funding which the directors have forecast that the company may require during the going concern period. This has included reviewing the in house banking commitment and letter of support issued by the company's parent, Toyota Motor Europe NV/SA.
- Validating the ability of the support providing entity, Toyota Motor Europe NV/SA, to honour the support committed to the company throughout the going concern period. Where that ability has been found to be dependent on ongoing financing by the ultimate global parent, Toyota Motor Corporation, we have obtained evidence of that financing arrangement being in place for at least 12 months from the date of these accounts. We have also considered Toyota Motor Corporation's financial ability to continue providing the in house banking arrangement put in place with Toyota Motor Europe NV/SA.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to environment, health and safety and other laws and regulations related to the manufacture of motor vehicles, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as taxation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent journal entries and management bias in key accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Enquiring of management, including consideration of known or suspected instances of fraud and non-compliance with laws and regulation;
- Identification and testing of a sample of journal entries determined to show higher risk characteristics, including those which involve unusual account combinations; and
- Challenging assumptions and estimates made by the directors in preparing aspects of the accounts which has included assessing for potential bias and agreeing estimates to supporting evidence.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or

assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Daniel Brew (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
28 March 2024

Toyota Motor Manufacturing (UK) Limited

Profit and loss account for the year ended 31 March 2023

		2023	2022
	Note	€'000	€'000
Turnover	4	2,224,054	2,488,734
Cost of sales		(2,312,222)	(2,509,329)
Gross Loss		(88,168)	(20,595)
Exceptional administrative (expense)/income	5	(10,476)	40,558
Other administrative expenses		(22,405)	(18,043)
Administrative (expenses)/income		(32,881)	22,515
Operating (loss)/profit	5	(121,049)	1,920
Finance income	8	4,065	145
Finance costs	8	(10,355)	(1,960)
Finance costs – net	8	(6,290)	(1,815)
(Loss)/profit before taxation		(127,339)	105
Tax on (loss)/profit	9	27,065	14,605
(Loss)/profit for the financial year		(100,274)	14,710

All the operations in the financial year and the comparative financial year were continuing and there were no acquisitions in either year.

The notes on pages 46 to 84 are an integral part of these financial statements.

Toyota Motor Manufacturing (UK) Limited

Statement of comprehensive income for the year ended 31 March 2023

		2023	2022
	Note	€'000	€'000
(Loss)/profit for the financial year		(100,274)	14,710
Other comprehensive (expense)/income items that will not be reclassified to profit or loss:			
Remeasurement of pension scheme	17	(201,986)	118,420
Other comprehensive (expense)/income for the financial year		(201,986)	118,420
Total comprehensive (expense)/income for the financial year		(302,260)	133,130

There is no deferred tax effect on the remeasurements of pension scheme as no deferred tax assets are recognised, this is discussed further within note 9.

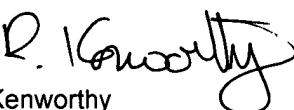
The notes on pages 46 to 84 are an integral part of these financial statements.

Toyota Motor Manufacturing (UK) Limited

Balance sheet as at 31 March 2023

		2023	2022
	Note	€'000	€'000
Fixed assets			
Tangible assets	10	258,874	239,615
Right of use assets		2,833	3,458
		261,707	243,073
Pension schemes assets	17	-	78,391
Current assets			
Stocks	11	167,906	158,085
Debtors	12	223,379	205,524
Cash at bank and in hand		5,247	4,270
		396,532	367,879
Creditors: amounts falling due within one year	13	(1,448,674)	(1,294,132)
Net current liabilities		(1,052,142)	(926,253)
Total assets less current liabilities		(790,435)	(604,789)
Creditors: amounts falling due after more than one year	14	(1,797)	(4,573)
Provisions for liabilities	15	(66,089)	(66,940)
Pension schemes liabilities	17	(120,241)	-
Net liabilities		(978,562)	(676,302)
Capital and reserves			
Called up share capital	16	362,231	362,231
Profit and loss account		(1,340,793)	(1,038,533)
Total shareholders' deficit		(978,562)	(676,302)

The notes on pages 46 to 84 are an integral part of these financial statements. The financial statements on pages 46 to 84 were approved by the board of directors on 28 March 2024 and were signed on its behalf by:


R Kenworthy
Managing Director
28 March 2024

Toyota Motor Manufacturing (UK) Limited

Statement of changes in equity for the year ended 31 March 2023

		Called up share capital	Profit and loss account	Total share- holders' deficit
	Note	€'000	€'000	€'000
At 1 April 2021		362,231	(1,171,663)	(809,432)
Profit for the financial year		-	14,710	14,710
Other comprehensive income for the financial year:				
Remeasurement of pension scheme	17	-	118,420	118,420
Total comprehensive income for the financial year		-	133,130	133,130
At 31 March 2022		362,231	(1,038,533)	(676,302)
Loss for the financial year		-	(100,274)	(100,274)
Other comprehensive expense for the financial year:				
Remeasurement of pension scheme	17	-	(201,986)	(201,986)
Total comprehensive expense for the financial year		-	(302,260)	(302,260)
At 31 March 2023		362,231	(1,340,793)	(978,562)

The profit and loss account represents accumulated comprehensive income and expenses for the financial year and prior years.

The notes on pages 46 to 84 are an integral part of these financial statements.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

1 General information

The company manufactures and sells motor vehicles, engines and engine component parts. All sales are to fellow Toyota companies. The products are manufactured predominately for the European market, although some sales are destined for markets in South America, Asia, Africa and the rest of the world.

The company is a private company, limited by shares and is incorporated and domiciled in the UK. The company is registered in the East Midlands, England with manufacturing plants at Burnaston, Derbyshire and at Deeside, Wales. The address of its registered office is:

Toyota Motor Manufacturing (UK) Limited
Burnaston
Derby
DE1 9TA

The company's registered number is 02352348.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements of Toyota Motor Manufacturing (UK) Limited have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and have been prepared in accordance with the requirements of the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 119(a) to (c), 123, 125 and 126 of IFRS 15 'Revenue from Contracts with Customers'.
- The requirements of paragraphs 52 of IFRS 16 'Leases' to disclose information about its leases in a single note.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

2 Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.
- The requirements of paragraphs 134(d) to 134(f) of IAS 36 'Impairment of Assets'.

b) Going concern

To assess the company's appropriateness of the going concern basis of preparation, the directors have prepared a detailed liquidity analysis covering the period to 31 March 2025 hereafter referred to as the going concern period of review. The company's forecasts and projections take account of reasonably possible changes in trading performance due to parts supply, including under a number of cash flow scenarios and stress tests. The reasonably possible changes in trading performance include a severe, but plausible, downside scenario, a month long shutdown, due to the unavailability of parts.

Toyota Motor Europe NV/SA (TME) is both the main supplier and customer of the company and acts as an internal bank for the European subsidiaries of the global group, providing general funding and day-to-day working capital under cash pooling arrangements. Accordingly, there is no material cash held by the company - all balances are 'swept' to a minimal balance at the end of each month. Further information on the company's financing position is given in note 13, - Creditors: amounts falling due within one year.

The company continues to be dependent on funding from its intermediate parent company, TME. The directors have received a letter of support from that entity for at least 12 months from the date these financial statements are approved, committing to provide financial assistance to enable the company to meet its liabilities as they fall due. In assessing the supporting entity's financial ability to honour this support, the directors have become aware that in order to have that ability, TME is dependent on financial support from Toyota Motor Corporation (TMC). TME has received its own confirmation of funding arrangements from TMC through to March 2025. The directors have assessed TMC ability to honour that support and concluded that TMC have the necessary financial strength and liquidity to do so over the period.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

2 Summary of significant accounting policies (continued)

b) Going concern (continued)

In conclusion, the directors have a reasonable expectation that the company has access to adequate financial and other resources available to continue in operational existence for the foreseeable future. Accordingly, the directors believe that it is appropriate that these financial statements are prepared on a going concern basis.

c) Format of the profit and loss account

The profit and loss account is presented in accordance with Format 2 of Schedule 1, Part 1, of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, classifying expenses by type, as this format best reflects the company's results.

d) Foreign currency translation

- *Functional and presentation currency*

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in Euros (€), which is also the company's functional currency.

- *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured at an average exchange rate between Euros and Sterling of 1.1601 (average for the year ended 31 March 2022: 1.1751) and a closing exchange rate of 1.1402 (31 March 2022: 1.1969). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in cost of sales in the profit and loss account.

e) Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied in the normal course of business, stated net of Value Added Tax and other sales taxes or duty. All the company's business relates to the manufacture of motor vehicles, motor vehicle engines and parts. All turnover is to fellow Toyota companies.

The company recognises turnover when its performance obligation has been satisfied and, for the company, this is when the goods have transferred to the customer and the customer has control of these. Turnover related to vehicle production is recognised at the point in time when the completed vehicle is accepted by the group sales and marketing company at the end of the production line. Turnover on engine and engine component parts sales is recognised at a point in time, depending on the terms and conditions of the supply contract, either on despatch or when accepted by the receiving group entity.

Receivables are settled twice monthly. Refer to note 2q for details of warranty obligations.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

2 Summary of significant accounting policies (continued)

f) Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use. All additions are initially treated as 'Manufacturing plant under construction'; once the asset is put into economic operation, it is re-classified into the appropriate asset class.

g) Depreciation

Provision for depreciation is made on all tangible and lease financed fixed assets, other than freehold land which is not depreciated. The assets are depreciated on a straight line basis at rates calculated to write off the cost evenly over their expected useful economic lives, commencing when the assets were first brought into use.

The depreciation method used reflects as fairly as possible the pattern in which the assets' economic benefits are consumed, as follows:

- Freehold buildings 20 years
- Plant and machinery 5-15 years
- Fixtures and fittings 5-15 years
- Motor vehicles 3 years

g) Depreciation (continued)

Assets held within 'Manufacturing plant under construction' are not depreciated until they are brought into use.

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. Any change is accounted for prospectively over the remaining useful economic life of the relevant asset. See note 10 for the carrying amount of the property plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in administrative expenses in the profit and loss account.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

2 Summary of significant accounting policies (continued)

h) Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

i) Impairment of tangible assets

At each balance sheet date, the group reviews the carrying amounts of its tangible assets as included in cash generating units to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less costs to sell and value in use. Any impairment loss is recognised immediately as an expense. The identification of impairment triggers and subsequent impairment testing could result in a material change in the valuation of tangible assets.

The directors' initial assessment identified a potential impairment indicator in the form of future planned tailpipe emissions restrictions on sale of new vehicles in certain territories into which the company currently sells. In response this was examined in further detail to understand the dynamic between the timing of the planned legislation and the remaining useful economic life of the assets employed by the company. It has been concluded that, owing to the respective timing of events, this future planned legislation was considered not to constitute an impairment indicator and hence a full impairment analysis has not been performed.

j) Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

2 Summary of significant accounting policies (continued)

j) Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the company's incremental borrowing rate.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

k) Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

l) Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument. The company does not apply hedge accounting.

Financial assets

The classification depends on the purpose for which the financial assets were acquired. It depends on the company's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition. The company classifies its financial assets in the following categories:

a) Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are Solely Payments of Principal and Interest (SPPI).

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

2 Summary of significant accounting policies (continued)

1) Financial instruments (continued)

b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are Solely Payments of Principal and Interest (SPPI) and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets.

c) Financial assets at fair value through profit or loss

The following financial assets are classified at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost (see notes (a) and (b) above)
- Equity investments that are held for trading, and
- Equity investments for which the company has not elected to recognise fair value gains and losses through Other Comprehensive Income (OCI).

The company's financial assets include cash at bank and in hand, amounts owed by group undertakings, trade debtors and other receivables. The company classifies all its financial assets at amortised cost as those assets are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest. The company does not factor debt.

Initial recognition and measurement

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the company commits to purchase or sell the asset). All financial assets are recognised initially at fair value.

Subsequent measurement

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. However, as the company classifies all its financial assets at amortised cost, they are all measured at amortised cost. Interest income from these financial assets is included in Finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in cost of sales together with foreign exchange gains and losses. Impairment losses would be presented as a separate line item in the profit and loss account if material.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

2 Summary of significant accounting policies (continued)

1) Financial instruments (continued)

Trade debtors, amounts owed by group undertakings and other receivables

Trade debtors and amounts owed by group undertakings are amounts due from customers and fellow group undertakings for goods sold performed in the ordinary course of business. Other receivables represent amounts due from members under the Managers' Car Scheme or Members' Car Plan whereby members are given the opportunity to purchase a car with payment deferred, see note 12. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors, amounts owed by group undertakings and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade debtors.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Financial liabilities

The company's financial liabilities include trade payables, amounts owed to group undertakings (loans and other), other creditors, lease liabilities and accruals.

Initial recognition and measurement

The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

Financial liabilities are measured at amortised cost, unless a standard requires them to be measured at fair value through profit or loss, or the company has opted to measure a liability at fair value through profit or loss.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Trade payables, amounts owed to group undertakings - other

Trade payables and amounts owed to group undertakings – other are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers, customers and fellow group undertakings. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

2 Summary of significant accounting policies (continued)

l) Financial instruments (continued)

Amounts owed to group undertakings - loans

Loans are recognised initially at fair value, net of any transaction costs incurred. Loans are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Other creditors

Other payables largely relate to amounts owed to members' payroll. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. They are paid monthly in arrears.

m) Impairment of financial assets

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired.

The company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade debtors, amounts owed by group undertakings and other receivables have been grouped based on shared credit risk characteristics and the days past due.

n) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis or average method of valuation, including, where appropriate, factory overheads, transport and duty costs based on normal levels of activity. Net realisable value is based on estimated selling price in the normal course of business after allowing for the costs of realisation. Provisions are made where necessary for obsolete and slow moving stock.

o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

2 Summary of significant accounting policies (continued)

p) Borrowings

Borrowings are initially recognised at fair value, adjusted for any transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

q) Warranty

The company offers warranty cover in respect of manufacturing defects which become apparent following purchase. A provision is recognised for expected warranty claims based on past experience of the level of actual warranty claims received and model life cycle evolution. Further amounts are provided for any product recalls where specific items are identified.

r) Government grants

Government grants are assistance by the Government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government assistance is action by the Government designed to provide an economic benefit specific to the Company or range of entities qualifying under certain criteria.

Government grants are recognised once there is reasonable assurance both that the entity will comply with any conditions and that the grant will be received. Grants from the Government and other bodies relating to costs are deferred and recognised in profit or loss within other operating income over the period necessary to match them with the costs that they are intended to compensate. Grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income, and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

At the balance sheet date there are no unfulfilled conditions or contingencies attaching to Government grants that have been recognised.

s) Current and deferred income tax

The tax expense for the year comprises current and deferred tax.

Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax expense for the year comprises current and deferred tax.

Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

2 Summary of significant accounting policies (continued)

s) Current and deferred income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

t) Employee benefits – Pension schemes

The company operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

- *Defined benefit plan*

Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset / liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit surplus / obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

2 Summary of significant accounting policies (continued)

t) Employee benefits – Pension schemes (continued)

Past-service costs are recognised immediately in the profit and loss account.

Any pension scheme surplus, to the extent recoverable through either refunds or reduced contributions, or deficit, is recognised in full.

The defined benefit scheme was closed to future accrual on 31st March 2021.

- *Defined contribution plan*

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. For defined contribution plans, the company pays contributions to privately administered pension insurance plans. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

u) Offsetting

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

v) Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are items that are material either because of their size or their nature, or because they are nonrecurring and are considered to be exceptional items. They are presented within the line items to which they best relate.

Other

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2023 have had a material impact on the company.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Estimate - Defined benefit pension scheme

The company has an obligation to pay pension benefits to members who are part of the scheme. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation/asset in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures of the defined benefit pension scheme.

b) Estimate - Warranty

The company provides a warranty for the vehicles for manufacturing defects. Provision for warranty is provided for specific periods of time and the amount will vary depending on type of vehicle. The company includes the standard provision as a component of cost of sales at the time the sale is recognised. Product recalls are charged to administrative expenses where they relate to prior year production.

The accrued standard warranty costs represents management's best estimate of the total cost the company will incur to repair or replace parts that fail while still under warranty. The amount of the accrued warranty cost is based on historical experience of part failures as well as current information on repair costs. The amount of warranty cost accrued also contains an estimate of warranty claim recoveries to be received from suppliers.

The amount of accrued warranty also includes product recalls. These consider the cost (labour and materials) to remediate the specific fault and the number of vehicles expected to be remediated.

Product recalls relating to vehicles produced

In the year ended 31 March 2018, exceptional administrative expenses were booked as a result of a product recall relating to airbags. In the following year, an additional campaign relating to electronic control units took place. The provisions in the accounts have been updated in the current year. The key assumptions include:

- 1) An assessment of which vehicles are impacted
- 2) Expected costs per vehicle

This is based on field studies and historical experience by country. As the provision requires estimates and extends for several years, actual warranty costs may differ from the estimated amounts and could require an adjustment to the warranty provision.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

3 Critical accounting estimates and judgements (continued)

b) Estimate – Warranty (continued)

In the year ending 31 March 2023, a new campaign relating to the Avensis took place and exceptional administrative expenses were booked as a result of a product recall relating to airbags.

Takata sensitivity

The sensitivity of the provision for airbags to changes in the principal assumptions are as follows:

- 1) 10% more/(fewer) vehicles remediated over the course of the entire warranty campaign would increase/(decrease) the provision by €22,204,000
- 2) 10% higher/(lower) cost per vehicle would increase/(decrease) the provision by €3,101,000

ECU sensitivity

The sensitivity of the provision for control units to changes in the principal assumptions are as follows:

- 1) 10% more/(fewer) vehicles remediated over the course of the entire warranty campaign would increase/(decrease) the provision by €2,877,000
- 2) 10% higher/(lower) cost per vehicle would increase/(decrease) the provision by €265,000

Avensis sensitivity

The sensitivity of the provision for airbags to changes in the principal assumptions are as follows:

- 1) 10% more/(fewer) vehicles remediated over the course of the entire warranty campaign would increase/(decrease) the provision by €1,047,000
- 2) 10% higher/(lower) cost per vehicle increase /(decrease) the provision by €1,047,000

The above sensitivity analysis assumes all other variables are held constant. In practice, there would likely be some correlation, but this is expected to be immaterial.

If these factors require a significant increase in estimated warranty provision, it would negatively affect future operating results of the company as has taken place in previous financial years.

Details of warranty provisions can be found in note 15 on page 75.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

3 Critical accounting estimates and judgements (continued)

c) Judgement - Deferred tax assets

The recognition of the deferred tax assets is dependent on there being sufficient probable future taxable profits against which the assets could be utilised. The company has not recognised deferred tax assets on tax losses and other timing differences in the current year which is consistent with prior year. Given the level of uncertainty in the current economic environment and the uncertainty this creates for medium term taxable profit forecasts, management continues to consider it appropriate not to recognise these deferred tax assets particularly as such utilisation is likely to be dependent on fellow group subsidiaries having taxable profits where group relief could be taken - management do not have sufficient knowledge of those other group companies to make a reliable assessment in this regard.

d) Judgement - Exceptional items

The company exercises its judgement in the classification of certain items as exceptional and outside of the company's underlying results. The determination of whether an item should be separately disclosed as an exceptional item requires judgement on its materiality, nature and incidence, as well as whether it provides clarity on the company's underlying trading performance. In exercising this judgement, the company takes appropriate regard of IAS 1 'Presentation of financial statements' as well as guidance issued by the Financial Reporting Council on the reporting of exceptional items and alternative performance measures. The overall goal of the company's financial statements is to present the company's underlying performance without distortion from one-off or non-trading events regardless of whether they are favourable or unfavourable to the underlying result. Further details of the individual exceptional items, and the reasons for their disclosure treatment, are set out in note 5.

e) Judgement - Impairment

The directors have formed a judgement as to whether there is an indicator of impairment over tangible fixed assets. The directors' initial assessment identified a potential impairment indicator in the form of future planned tailpipe emissions restrictions on sale of new vehicles in certain territories into which the company currently sells. In response this was examined in further detail to understand the dynamic between the timing of the planned legislation and the remaining useful economic life of the assets employed by the company. It has been concluded that, owing to the respective timing of events, this future planned legislation was considered not to constitute an impairment indicator and hence a full impairment analysis has not been performed. The directors will keep this judgement under close review at each subsequent reporting period in response to any changes in external events or conditions.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

4 Turnover

Analysis of turnover by category:

	2023	2022
	€'000	€'000
Sales of vehicles	1,927,065	2,200,643
Sales of engines and other components	296,989	288,091
	2,224,054	2,488,734

All turnover is to fellow Toyota companies. All turnover originates from UK manufacturing operations and materially all turnover arises in the UK. The ultimate destination of the vehicles, engines and other components sold is:

	2023	2022
	€'000	€'000
UK	376,513	348,391
France	223,961	276,523
Spain	223,563	221,732
Poland	210,623	165,351
Turkey	166,155	177,279
Germany	152,767	242,462
Belgium	105,577	82,912
Italy	90,407	100,104
Finland	73,711	90,554
Sweden	70,168	97,639
Other	530,609	685,787
	2,224,054	2,488,734

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

5 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting)

	2023	2022
	€'000	€'000
Depreciation of owned tangible fixed assets	42,152	34,134
Depreciation of right of use assets		
Plant and machinery	1,059	973
(Profit)/loss on sale of fixed assets	(119)	172
Inventory recognised as an expense	1,794,575	2,000,705
Increase of impairment of inventory (included in cost of sales)	115	1,474
Auditors' remuneration:		
Audit fees for the company	208	184
Audit fees for the company's pension scheme	31	22
Non-audit services - tax compliance services	-	-
- other tax advice	-	-
Net amount of foreign exchange losses	1,465	4,246

The total cash outflow for leases in the financial year was €1,170,000 (2022: €990,000.) Expenses relating to short term leases and low value assets are not material.

The reversal and increase of impairment of inventory reflect changes in the estimate based on the expected usage of spares stock.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

5 Operating (loss)/profit (continued)

Exceptional administrative expense/(income)

	2023	2022
	€'000	€'000
Product recalls related to airbags – revision of existing provision	-	(31,109)
New product recalls related to airbags	10,476	-
Product recalls related to ECUs	-	(9,449)
Exceptional administrative expense/(income)	10,476	(40,558)

Following the re-evaluation of the level of provision relating to airbags in the previous year, no further adjustment was required in the current year. The company expects to settle remaining claims over the next two (2022: three) years based on latest repair rate analysis and has settled €196,458,000 (2022: €193,027,000) as at the balance sheet date.

Exceptional administrative expense of €10,476,000 in the current year was charged in respect of a new product recall relating to airbags fitted to Avensis vehicles produced.

Following the re-evaluation of the level of provision relating to ECUs in the previous year, no further adjustment was required in the current year. The company expects to settle remaining claims over the next two (2022: three) years based on latest repair rates analysis and has settled €26,752,000 (2022: €24,112,000) as at the balance sheet date.

The release of provisions related to the warranty items are presented as exceptional items to be consistent with the presentation of the change adopted when the original provisions were recognised.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

6 Member costs

	2023	2022
	€'000	€'000
Wages and salaries	124,168	121,217
Social security costs	15,145	14,230
Other pension costs (note 17)		
Defined benefit plan, excluding impact of foreign exchange	2,089	2,200
Defined contribution plan	18,591	24,631
	159,993	162,278

The average monthly numbers of members (including executive directors) employed by the company during the year was:

	2023	2022
By activity:	Number	Number
Production	2,142	2,260
Administration	482	464
	2,624	2,724

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

7 Directors

The directors' emoluments were as follows:	2023	2022
	€'000	€'000

Aggregate emoluments of the directors (excluding pension contributions)	344	319
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Contributions to money purchase schemes	-	-
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Retirement benefits are accruing to 1 (2022: 1) director under a defined benefit pension scheme.
No (2022: no) directors accrued benefits under the defined contribution scheme.

	2023	2022
	€'000	€'000

Pensions paid to former directors	97	126
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The aggregate accrued pension of the directors at the end of the year was €102,000 per annum (2022: €99,000 per annum).

Highest paid director

The highest paid director's emoluments were as follows:	2023	2022
	€'000	€'000

Aggregate emoluments of the highest paid director (excluding pension contributions)	344	319
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Contributions to money purchase schemes	-	-
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Retirement benefits are accruing to the highest paid director under a defined benefit pension scheme and are paid by a group undertaking and not recharged. The accrued pension for the highest paid director at the end of the year was €102,000 per annum (2022: €99,000 per annum).

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

8 Finance income and costs

	Note	2023	2022
		€'000	€'000
Finance income			
Interest in respect of loans to group undertakings		1,993	145
Net income on pension scheme	17	2,072	-
Total finance income		4,065	145
		2023	2022
		€'000	€'000
Finance costs			
Interest expense in respect of loans from group undertakings		(10,171)	(947)
Interest expense in respect of lease liabilities		(184)	(145)
Net expense on pension scheme	17	-	(868)
Total finance costs		(10,355)	(1,960)
Net finance costs		(6,290)	(1,815)

No material amount of borrowing costs have been capitalised in the current or prior financial year.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

9 Tax on (loss)/profit

Analysis of credit for the financial year

Tax credit income included in the profit and loss account	2023	2022
	€'000	€'000
Corporation tax at 19% (2022: 19%):		
Current year	(18,967)	(11,826)
Prior year adjustment in respect of group relief claimed	(8,098)	(2,779)
Current tax credit for the financial year	(27,065)	(14,605)
Deferred tax	-	-
Total tax on (loss)/profit	(27,065)	(14,605)

Tax expense included in other comprehensive income	2023	2022
	€'000	€'000
Current tax	-	-
Deferred tax	-	-
Total tax expense included in other comprehensive income	-	-

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

9 Tax on (loss)/profit (continued)

Factors affecting the total tax credit for the financial year

The tax credit assessed for the financial year is higher (2022: higher) than the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023	2022
	€'000	€'000
(Loss)/profit before taxation	(127,339)	105
(Loss)/profit before taxation multiplied by standard rate in the UK of 19% (2022: 19%)	(24,194)	20
Effects of:		
Tax losses not recognised	-	(40)
Expenses not deductible for tax purposes	3	2
Prior year adjustment in respect of group relief claimed	(8,098)	(2,779)
Capital allowances in excess of depreciation for which no deferred income tax asset was recognised	6,396	(11,937)
Other timing differences for which no deferred income tax was recognised	(1,172)	129
Total tax credit for the financial year	(27,065)	(14,605)

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

9 Tax on (loss)/profit (continued)

Deferred tax

The deferred tax assets and liabilities provided and unprovided, calculated on the liability method at a rate of 25% (2022: 25%) are as follows:

	2023		2022	
	Recognised	Un- recognised	Recognised	Un- recognised
	€'000	€'000	€'000	€'000
Accelerated capital allowances	-	73,029	-	64,629
Losses	-	244,618	-	253,155
Pension deficit	-	29,540	-	-
Deferred tax asset	-	347,187	-	317,784

The recognition of the deferred tax assets is dependent on there being sufficient probable future taxable profits against which the assets could be utilised. The company has not recognised deferred tax assets on tax losses and other timing differences in the current year which is consistent with prior year. Given the level of uncertainty in the current economic environment and the uncertainty this creates for medium term taxable profit forecasts, management continues to consider it appropriate not to recognise these deferred tax assets particularly as such utilisation is likely to be dependent on fellow group subsidiaries having taxable profits where group relief could be taken - management do not have sufficient knowledge of those other group companies to make a reliable assessment in this regard.

Factors affecting future tax liabilities

The tax rate for the current year is the same as the prior year at 19%.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%). As the proposal to increase the rate to 25% had been substantively enacted at the balance sheet date, its effects are included in these financial statements.

Future profits will be taxed at the main rate of corporation tax.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

10 Tangible assets

	Freehold land and buildings	Manufact- uring plant under construction	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cost						
At 1 April 2022	282,254	13,926	1,356,321	9,970	1,066	1,663,537
Additions	-	24,037	-	-	56,860	80,897
Transfers	41	(21,350)	20,150	48	1,111	-
Disposals	-	-	(37,717)	(430)	(23,172)	(61,319)
At 31 March 2023	282,295	16,613	1,338,754	9,588	35,865	1,683,115
Accumulated depreciation						
At 1 April 2022	242,526	-	1,170,847	9,504	1,045	1,423,922
Provided in the year	1,582	-	32,653	214	7,703	42,152
Disposals	-	-	(37,608)	(430)	(3,795)	(41,833)
At 31 March 2023	244,108	-	1,165,892	9,288	4,953	1,424,241
Net book amount						
At 31 March 2023	38,187	16,613	172,862	300	30,912	258,874
At 31 March 2022	39,728	13,926	185,474	466	21	239,615

At each balance sheet date, included in freehold land and buildings, is land valued at €32,602,000 (2022: €32,602,000) which is not subject to depreciation. €1,203,103,000 (2022: €1,209,540,000) of fully depreciated assets are still in use. No external valuation has been performed on freehold land and buildings. The directors estimate that the fair value of tangible fixed assets, including land and buildings, materially equates to their carrying value. €26,521,000 (2022: €42,302,000) of assets have been retired from active use and not classified as held for sale in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'.

No material amount of borrowing costs have been capitalised in the current or prior financial year.

No indicators of impairment have been identified through the company's annual exercise.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

11 Stocks

	2023	2022
	€'000	€'000
Raw materials and consumables	137,586	131,936
Work in progress	13,657	12,992
Finished goods and goods for resale	16,663	13,157
	167,906	158,085

There is no material difference between the replacement cost of stock and the amounts stated above.

Stock is stated after provisions for impairment of €19,455,000 (2022: €19,340,000).

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

12 Debtors

	2023	2022
	€'000	€'000
Trade debtors	2,320	3,562
Amounts owed by group undertakings	204,135	164,101
Other receivables	472	16,906
Prepayments and accrued income	16,452	20,955
	223,379	205,524

All amounts owed by group undertakings are payable on demand, unsecured and incur no interest except for vehicle sales. Interest on vehicle sales is calculated using Euribor 1 month interest rates.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

13 Creditors: amounts falling due within one year

	2023	2022
	€'000	€'000
Trade payables	15,595	13,151
Amounts owed to group undertakings:		
Loans	1,078,574	913,049
Other	265,310	278,741
Taxation and social security	40,865	50,219
Other creditors	22,107	14,018
Lease liability	1,109	1,086
Accruals and deferred income	25,114	23,868
	1,448,674	1,294,132

All amounts owed to group undertakings are payable on demand, unsecured and incur no interest except for loans separately disclosed above and other amounts owed for the Member Car Loan scheme. Loans are repayable to the parent company, Toyota Motor Europe NV/SA, within one year. An ongoing facility of €1,336m (2022: €1,259m) is available to the company, and a new facility for €1,115m is in place from 1 April 2024 to replace the current facility. All loans are denominated in Euros. They are unsecured and interest is charged based on current Euribor 1 month rates. The Member Car Loan scheme is funded through a specific loan denominated in Sterling and interest is calculated using the prevailing market rate. The loan for the Member Car Loans are held within amounts owed to group undertakings: other.

At 31 March 2023, the company had undrawn amounts on its loans from group undertakings of €180,000,000 (2022: €353,000,000).

Contractual maturities - Lease liability	2023	2022
	€'000	€'000
Less than 6 months	572	566
6-12 months	566	549
Total contractual cash flows	1,138	1,115
(Less): Interest accruing	(29)	(29)
Carrying amount	1,109	1,086

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

14 Creditors: amounts falling due after more than one year

	2023	2022
	€'000	€'000
Amounts owed to group undertakings: loans	-	2,072
Lease liability	1,797	2,501
	1,797	4,573

Contractual maturities – Amounts owed to group undertakings: loans

There are no loans falling due after more than one year owed to group undertakings at 31 March 2023.

Contractual maturities - Lease liability	2023	2022
	€'000	€'000
Between 1 and 2 years	864	886
Between 2 and 5 years	1,190	1,889
More than 5 years	16	51
Total contractual cash flows	2,070	2,826
(Less): Interest accruing	(273)	(325)
Carrying amount	1,797	2,501

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

15 Provision for liabilities

	Warranty	Total
	€'000	€'000
At 1 April 2022	66,940	66,940
Additions to profit and loss	16,493	16,493
Unused amounts reversed to profit and loss	(11,292)	(11,292)
Amounts utilised	(6,052)	(6,052)
At 31 March 2023	66,089	66,089

Warranty

The company offers warranty cover in respect of manufacturing defects which become apparent following purchase. A provision of €66,089,000 (2022: €66,940,000) has been recognised for expected warranty claims. Included in the above is €35,935,000 (2022: €31,014,000) in respect of product recalls relating to airbags fitted to vehicles produced and €2,137,000 (2022: €2,654,000) relating to ECUs fitted to vehicles produced. Also included in the above is €10,476,000 (2022: €nil) relating to a new product recall campaign for airbags in the Avensis vehicle. Refer also to notes 3 and 5.

Normal warranty claims are expected to be settled within the next three years based on past experience of the level of actual warranty claims received and model evolution. Warranty claims in respect of the ongoing product recalls are expected to be settled over two (2022: three) years. The recent campaign related to Avensis is expected to be settled over five years.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

16 Called up share capital

	2023	2022
	€'000	€'000
Allotted and fully paid		
300,000,000 (2022: 300,000,000) ordinary shares of £1 each	362,231	362,231

There were no transactions affecting share capital in the current or prior year. Share capital was translated at the historical rate of 1.2074 and is not subject to revaluation.

17 Pension schemes assets and liabilities

The company operates a number of pension schemes for its members.

i) Defined benefit scheme

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company in a trustee-administered fund. On 1 April 2013 the defined benefit scheme was closed to new members joining the company. On 31st March 2021, the defined benefit scheme was closed to future accrual for all members.

The scheme is operated for the company and the members (employees) of the UK branch of its immediate parent, Toyota Motor Europe NV/SA ("TME"). As such, the schemes share the risk between entities under common control. The split of the benefit payments and expenses is based on the proportion of the Plan's funded liabilities at the prior year end allocated to each employer of approximately 93.8% the company and 6.2% TME. The split of the benefits accrued over the year to 31 March 2023 is based on the proportion of post October 2002 section employer contributions paid by each employer over the year to 31 March 2022 of approximately 93.8% the company and 6.2% TME. The split of actuarial gains/losses is based on the proportion of assets/liabilities attributed to each employer before allowance for the gain/loss. The liabilities in relation to the unfunded pension arrangements in respect of three former employees are allocated entirely to TMUK. This approach is consistent to that used in previous years. At 31 March 2023, the liabilities were split 93.8% to the company and 6.2% to TME whilst the assets were allocated 93.8% to the company and 6.2% to TME as an approximation to the overall demographic profiles and actual membership of the two sections.

The scheme pensions are updated in line with the Retail Price Index for current members and the Consumer Price Index for deferred members.

Plan assets held in the fund are governed by local regulations and practice in the UK. Responsibility for the governance of the plan, including investment decisions and contribution schedules, lies with the Trustees of the scheme.

The company ensures that the investment positions are managed within an asset-liability matching ("ALM") framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the company's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency (Sterling).

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

17 Pension schemes assets and liabilities (continued)

i) Defined benefit scheme (continued)

The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The company has not changed the processes used to manage its risks from previous periods. The company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets in 2023 consists of equities and bonds, although the company also invests in property, bonds and cash. The company believes that equities offer the best returns over the long term with an acceptable level of risk.

Valuations are carried out every three years using appropriate valuation methods, and an independent actuary determines the rate of contributions required. The actuarial valuation of the company's pension plan used was that carried out at 5 April 2021.

A qualified independent actuary updated the results of the most recent actuarial valuation to 31 March 2023. Liabilities have been calculated using a consistent projected unit valuation method and compared to the plan's assets at the 31 March 2023 market value.

The risks of the scheme are as follows:

a) *Asset volatility*

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields: if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short term.

As the plans mature, the company intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

b) *Changes in bond yields*

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

c) *Life expectancy*

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in the life expectancy will result in an increase in the plan's liabilities.

d) *Foreign exchange risk*

The scheme assets are held and liabilities arise in Sterling. As the pension scheme is in a net deficit position, a strengthening of the Sterling against the Euro would lead to a loss on foreign exchange.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

17 Pension schemes assets and liabilities (continued)

i) Defined benefit scheme (continued)

e) *Inflation risk*

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (in the case of fixed interest bonds) or loosely correlated with (in the case of equities) inflation, meaning that an increase in inflation will also increase the deficit.

Principal actuarial assumptions

Based on actuarial advice, the financial assumptions used to calculate the scheme are:

	31 March 2023	31 March 2022
Inflation – Retail Price Index (RPI)	3.20%	3.60%
– Consumer Price Index (CPI)	2.85%	3.05%
Discount rate	4.75%	2.70%
Assumed rate of increase of salaries including inflation at 0% (2022: nil%)	0%	0%
Assumed rate of increase of pensions in payment	3.10%	3.45%

The principal financial assumption is the 'real discount rate', being the excess of the discount rate over the rate of inflation. The discount rate is based on the market yields on high quality corporate bonds of appropriate currency and term to the deferred benefit obligations (approximately 25 years) (2022: 25 years).

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

17 Pension schemes assets and liabilities (continued)

i) Defined benefit scheme (continued)

The mortality assumptions used were as follows:

	31 March 2023 Years	31 March 2022 Years
Longevity at age 65 for current pensioners:		
Male	21.5	21.5
Female	24.2	24.4
Longevity at age 65 for future pensioners:		
Male	23.1	23.1
Female	26.0	26.2

The valuation assumes that mortality will be in line with standard tables adjusted to reflect the expected experience of the scheme membership based on analysis carried out for the 5 April 2021 funding valuation. A specific allowance for anticipated future improvements in life expectancy is also incorporated.

	Assets	Liabilities	Total
	€'000	€'000	€'000
Reconciliation of scheme assets and liabilities			
At 1 April 2022	1,159,930	(1,081,539)	78,391
Benefits (paid)/received	(19,776)	19,776	-
Employer contributions	3,683	-	3,683
Current service cost	-	(450)	(450)
Administrative expenses	(1,639)	-	(1,639)
Death in service	(450)	450	-
Interest income/(expense)	30,111	(28,039)	2,072
Foreign exchange (losses)/gains	(46,179)	45,867	(312)
Remeasurement (losses)/gains	(520,652)	318,666	(201,986)
At 31 March 2023	605,028	(725,269)	(120,241)

The equity investments and bonds which are held in plan assets are valued at their current bid prices.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

17 Pension schemes assets and liabilities (continued)

i) Defined benefit scheme (continued)

Sensitivity of defined benefit scheme to changes in principal assumptions

The sensitivity of the defined benefit scheme to changes in the weighted principal assumption is:

Impact on defined benefit obligation

	Change in assumption	Increase in assumption €'000	Decrease in assumption €'000
Discount rate	+/- 0.5%	(62,713)	62,713
Salary growth rate	+/- 0.25%	24,363	(24,363)
Pension growth rate	-	-	-
Life expectancy	+/- 1 year	8,121	(8,121)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Profit and loss account charge/(credit) by nature of expense

Total cost/(gain) recognised as an expense/(credit):	2023 €'000	2022 €'000
Current service cost	450	234
(Gain) on settlements and curtailments	-	-
Administrative expenses	1,639	1,966
	2,089	2,200
Net interest (income)/expense	(2,072)	868
Net foreign exchange losses	-	-
	17	3,068

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

17 Pension schemes assets and liabilities (continued)

i) Defined benefit scheme (continued)

Remeasurement gains/(losses)	2023	2022
	€'000	€'000
Gains/(losses) from changes in demographic assumptions	15,021	(2,336)
Gains from changes in financial assumptions	353,058	85,410
Experience /gains on liabilities	84	11,178
Experience (losses)/gains on assets	(520,652)	24,168
Experience (losses) on inflation being higher than expected	(49,497)	-
	(201,986)	118,420

Summary of fair value of the plan assets	2023	2023	2023
	Quoted €'000	Unquoted €'000	Total €'000
Equity instruments	262,095	-	262,095
Debt instruments	243,618	-	243,618
Property	-	95,027	95,027
Cash	-	4,288	4,288
	505,713	99,315	605,028
	2022	2022	2022
	Quoted €'000	Unquoted €'000	Total €'000
Equity instruments	596,190	-	596,190
Debt instruments	444,355	-	444,355
Property	-	116,138	116,138
Cash	-	3,247	3,247
	1,040,545	119,385	1,159,930

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

17 Pension schemes assets and liabilities (continued)

i) Defined benefit scheme (continued)

The assets do not include any of the company's own financial instruments or property connected with the company.

Return on the scheme assets

	2023	2022
	€'000	€'000
Interest income on plan assets	30,111	23,285
Remeasurements	(520,652)	24,168
Total return on plan assets	(490,541)	47,453

At the last funding valuation, the company has agreed with the trustees that the contributions for the next ten years will be increased by €290,751 (2022: €305,206) per calendar month. The total contributions expected or incurred to be made to the scheme by the company in the year to 31 March 2024 is €3,489,012 (2023: €3,662,478).

On 26 October 2018, the High Court ruled on an issue that affects members of defined benefit pension schemes who were opted-out of the State Earnings Related Pension Scheme (SERPS) in the 1990s (known as being 'contracted-out'). Following this, the Company recognised the additional liability from Guaranteed Minimum Pensions (GMP) equalisation through past service costs within the profit and loss account in the year to 31 March 2019. This follows the Company not having recognised an allowance for GMP equalisation within the valuation of its liabilities in prior periods.

ii) Defined contribution scheme

From 1 October 2002 the company introduced a defined contribution pension scheme for new members joining the company. The pension cost charge for the year was €18,591,000 (2022: €24,631,000) and there are no outstanding or prepaid contributions as at 31 March 2023 (2022: €nil).

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

18 Contingencies

The company has no contingent liabilities at the yearend (2022: €nil). The company has given a guarantee to HM Revenue and Customs for €40,000,000 (2022: €40,000,000) in respect of the deferment payment of customs duty and value added tax.

19 Capital commitments

	2023	2022
	€'000	€'000
Capital expenditure on fixed assets authorised by the directors and contracts placed at the year end, but not provided for in the financial statements	7,573	9,632

20 Parent undertakings and related party transactions

The company's immediate parent company is Toyota Motor Europe NV/SA, a company incorporated in Belgium. The company's ultimate parent undertaking and controlling party is Toyota Motor Corporation, a company incorporated in Japan.

The only group into which the results of the company are consolidated is that headed by Toyota Motor Corporation.

As the company is wholly owned by Toyota Motor Corporation, whose consolidated financial statements are publicly available, the company has taken advantage of the relief available under FRS 101 paragraph 8(k) not requiring subsidiary undertakings to disclose transactions with entities that are wholly owned fellow group companies or investees of the group qualifying as related parties. See note 7 for disclosure of directors' remuneration.

Copies of the consolidated financial statements of Toyota Motor Corporation can be obtained from:

Toyota Motor Corporation
1 Toyota-cho
Toyota City
Aichi
Prefecture 471
Japan

Or via:

<https://global.toyota/en/ir/financial-results/>

In the year the company paid subscriptions of £85,656 (€96,120) VAT inclusive to Society of Motor Manufacturers and Traders Limited for membership subscriptions. Agustin Romero Martin was a director of both the company and Society of Motor Manufacturers and Traders Limited. While a subscription was paid in prior year there was no cross directorship. The balance outstanding at year end is £9,900 (€11,288) at year end spot rate.

Toyota Motor Manufacturing (UK) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

21 Post balance sheet events

No post balance sheet events to disclose.